

AR07





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The illustrations in this Report are the work of Canadian artist Kazuo Nakamura. The five oil paintings and three watercolours reproduced here are Mr. Nakamura's interpretations of the moods, forms and texture of the Canadian forest.

Summary of Significant Facts

	Year ended December 31 1971*	Year ended December 31 1970*
EARNINGS		
Income		
Sales of products and services	\$703,689,664	\$646,116,116
Other income	6,556,682	4,985,188
Total income	<u>\$710,246,346</u>	<u>\$651,101,304</u>
Earnings before income taxes, minority interests and extraordinary items	\$ 36,453,729	\$ 36,425,704
Net earnings after income taxes, minority interests and extraordinary items		
Amount	\$ 25,469,025	\$ 17,425,816
Per share before extraordinary items	\$ 1.06	\$.83
Per share after extraordinary items	\$ 1.22	\$.83
Charge for		
Depreciation	\$ 36,891,673	\$ 35,594,145
Depletion	5,840,690	6,534,581
Amortization of logging roads	6,127,116	6,102,465
	<u>\$ 48,859,479</u>	<u>\$ 48,231,191</u>
Earnings retained in business at end of year	\$226,678,243	\$211,725,298
BASIC CASH FLOW		
Amount	\$ 68,403,511	\$ 66,097,087
Per share	\$ 3.28	\$ 3.17
CAPITAL EXPENDITURES	\$ 32,813,905	\$ 46,728,482
PERCENTAGE OF LONG TERM DEBT TO TOTAL CAPITAL EMPLOYED (including deferred tax)	37.0	36.2
DIVIDENDS		
Cash — Ordinary shares		
Amount	\$ 10,438,191	\$ 20,876,330
Per share	\$.50	\$ 1.00
Cash — Preference shares		
Amount	\$ 77,889	\$ 77,889
Per share	\$.03	\$.03
EMPLOYEES		
Wages, salaries and employee benefits	\$201,060,834	\$173,729,434
Number at end of year	19,188	18,932
SHAREHOLDERS		
Number at end of year**	20,124	21,575

*Statistics and charts throughout this report do not reflect the consolidation of overseas subsidiaries other than for equity in net earnings (see Note 1 to Financial Statements).

**Excluding holders of share warrants.

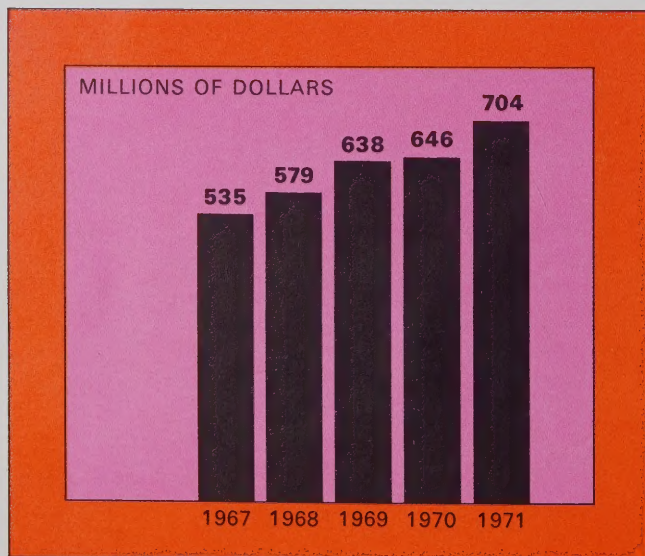
Directors' Report to the Shareholders

The partial recovery of the North American economy last year was not matched in any of the other major trading areas of the world in which the Company does business, nor did the recovery result in an increase in demand for all forest industry products. Thus, indifferent markets for several of the Company's products again presented obstacles to adequate earnings which were further inhibited by the continuing shrinkage in value of the Company's United States dollar proceeds from export sales and by unavoidable cost increases. In the face of these serious difficulties, it is fortunate that the groundwork laid in prior years in broadening the base of the Company's activities both as to markets and products has provided the Company with considerable resilience and a flexibility with which to take rapid advantage of any market improvements as they occur.

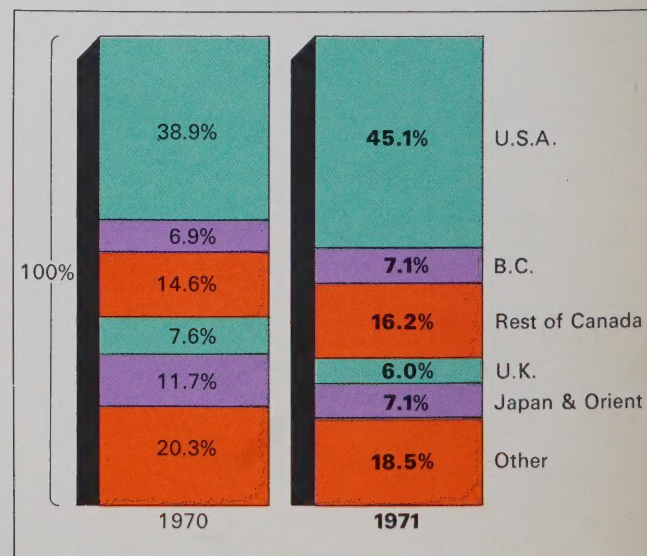
These factors, together with stringent cost control programmes, enabled the Company to overcome a bleak first quarter in 1971 and to achieve by the end of the year a reasonable improvement over the exceedingly low profit level of 1970. Although still not representative of a satisfactory return on investment, the Company's net earnings rose from \$17,425,816 (\$.83 per share) in 1970 to \$25,469,025 (\$1.22 per share) in 1971. The latter figure includes \$3,440,041 of extraordinary items representing 16 cents per share which will be dealt with later in this report. Sales and other income increased from \$651,101,304 in 1970 to \$710,246,346 in 1971.

A major factor in the Company's profit improvement was a significant increase in demand for lumber and plywood, and, despite a temporary application of the United States import surcharge, the Company's total lumber

1. Sales of Products and Services



2. Sales of Products by Markets





Versatile Aspenite building panels are winning increasing acceptance because of their low cost and adaptability, especially in residential construction.

ITEMS OF INTEREST

Aspenite panels manufactured at the Company's mill in Hudson Bay, Saskatchewan, are proving to be ideally suited to the demands of low-cost housing construction and the product is increasing its share of that important market. Federal loans through Central Mortgage and Housing Corporation are expected to double the number of low-rent units to be built in 26 areas of Canada this year.

Aspenite is a strong, phenolic-bonded, wood-wafer panel which builders use as roof, wall and floor sheathing, as well as for gable ends. Such versatility, plus Aspenite's low cost, make it an increasingly popular component in all types of residential construction.

The Aspenite plant was substantially expanded recently and the increased capacity is now available to supply this year's improving construction market. Total spending on new dwellings in Canada this year is expected to be 24% above 1970 levels. In the U.S., which is the principal market for the Company's building materials, housing starts advanced 48% in the first half of the year, and were the highest in 20 years. The National Association of Home Builders in the U.S. forecasts 1971 housing starts at 1.9 million, compared with the 1970 total of 1.4 million.

* * *

The Company has awarded a \$1.8 million contract to Allied Shipbuilders Ltd. of North Vancouver for construction of its fifth ocean-going newsprint barge. The "Saint John Carrier" will be completed in November and will join the "Rothesay Carrier" in serving eastern U.S. newsprint customers from the MacMillan Rothesay mill in New Brunswick. The "Rothesay Carrier", completed earlier this year, is now in regular service. Three similar barges, the "Nootka Carrier", the "Nanoose Carrier" and the "Nahmint Carrier", are in service between B.C. and California ports.

* * *

The Company's wholly-owned subsidiary, MB Containers in Great Britain, has won a major design award — the Nordican Trophy. The honour follows on the heels of the award of "Eurostar", Europe's highest honour for packaging design. Earlier, MB package designs won two successive gold star awards in top competition in the United Kingdom.

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**MacMillan
Bloedel Limited**

and Subsidiary Companies

**Report to the Shareholders
for the Six Months
Ended June 30, 1971**

CONSOLIDATED STATEMENT OF EARNINGS

SIX MONTHS ENDED JUNE 30 (in millions of dollars)
1971 1970 1969 1968

Sales and Other Income				
Sales of Products and Services	\$340.9	\$320.3	\$326.7	\$285.8
Other Income	2.6	3.8	3.2	2.5
	<u>\$343.5</u>	<u>\$324.1</u>	<u>\$329.9</u>	<u>\$288.3</u>
Earnings before deducting Undernoted Items	\$ 47.6	\$ 57.3	\$ 80.6	\$ 64.7
Depreciation, Depletion and Amortization	23.8	22.8	21.5	17.6
Interest on Borrowed Money	9.1	9.2	6.5	6.5
	<u>32.9</u>	<u>32.0</u>	<u>28.0</u>	<u>24.1</u>
Earnings before deducting Income Taxes and Minority Interests	14.7	25.3	52.6	40.6
Income Taxes:				
Current	7.9	13.5	28.1	18.8
Deferred	(.8)	.3	(.6)	3.6
	<u>7.1</u>	<u>13.8</u>	<u>27.5</u>	<u>22.4</u>
Earnings before deducting Minority Interests	7.6	11.5	25.1	18.2
Minority Interests in Earnings (Losses) of Consolidated Subsidiaries	(1.5)	.3	.1	(.6)
Net Earnings for the Six Months	\$ 9.1	\$ 11.2	\$ 25.0	\$ 18.8
Earned per Share (dollars)	\$.43	\$.54	\$ 1.20	\$.90

NOTE: Subject to audit.

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF WORKING CAPITAL

SIX MONTHS ENDED JUNE 30 (in millions of dollars)
1971 1970 1969 1968

Source of Working Capital				
Net Earnings	\$ 9.1	\$ 11.2	\$ 25.0	\$ 18.8
Non-cash Charges				
Depreciation, Depletion and Amortization	23.8	22.8	21.5	17.6
Deferred Income Taxes	(.8)	.3	(.6)	3.6
Minority Interests in Earnings of Consolidated Subsidiaries	(1.5)	.3	.1	(.6)
Proceeds from Debentures and Other				
Long-term Debt	29.6	—	.7	7.4
Equity Provided by Minority Interests (net)	1.7	—	—	—
Issue of Shares	—	—	.5	—
Realization of Funds allocated for Capital Purposes*	—	1.0	4.6	19.6
	<u>61.9</u>	<u>35.6</u>	<u>51.8</u>	<u>66.4</u>
Application of Working Capital				
Net Additions to Property, Plant and Equipment	12.2	19.8	32.4	31.5
Investments and Other Assets	3.8	1.8	5.9	11.8
Dividends Paid	5.2	10.4	10.4	10.4
Payments of, and Current Provision for, Long-term Debt	8.6	5.6	4.3	2.6
Sundry	—	—	—	3.7
	<u>29.8</u>	<u>37.6</u>	<u>53.0</u>	<u>60.0</u>
Increase (Decrease) in Working Capital	32.1	(2.0)	(1.2)	6.4
Working Capital at Beginning of Period	80.5	96.0	98.5	90.3
Working Capital at End of Period	<u>\$112.6</u>	<u>\$ 94.0</u>	<u>\$ 97.3</u>	<u>\$ 96.7</u>

* Of this, \$1.0, \$.8 and \$18.5 million in the years 1970, 1969 and 1968 respectively represent funds released by the trustee for the bondholders of the Alabama project.

NOTE: Subject to audit.

TO THE SHAREHOLDERS

During the second quarter of 1971, a recovery of the Canadian and United States economies, although somewhat uncertain, created an improvement in demand in the building materials field. Simultaneously, our sales of newsprint improved in the Western Region market. As a result, sales and other income for the six months ended June 30, 1971 amounted to \$343,478,942 compared with \$324,144,430 for the corresponding period in 1970. This increase derives entirely from operations in the second quarter of 1971. Notwithstanding better markets in some sectors and firmer prices for lumber and plywood, industry profit margins in general for these products have remained below reasonable levels, and the Company's net earnings for the first half of 1971 of \$9,073,924 fell below those of the first half of 1970 by \$2,119,721. The earnings of the second quarter of 1971 do represent, however, a sharp improvement over the very depressed profit levels which prevailed during the first quarter.

In the circumstances, a partial restoration of the dividend appears reasonable and the Directors have authorized payment at the rate of 10¢ per share for the third quarter.

After completing intensive studies relating to costs and potential return on investment, it was decided not to proceed with the construction of a pulp or paper mill at the Whitecourt site in Alberta. The cutting rights granted to the Company in respect of this project therefore lapsed on June 30, 1971 pursuant to the terms of the agreement with the Alberta Government. Of the amounts expended in acquiring those rights, approximately \$1,454,000 is expected to be unrecoverable and is being charged against the Company's profits during 1971. \$727,000 of this charge is reflected in the net earnings before tax for the first six months of the year.

On May 20, 1971, the Supreme Court of British Columbia awarded the Company \$1,213,669 in an action brought against various parties in respect of fire damage to Company timberlands. As the period



**MacMillan
Bloedel Limited**

and Subsidiary Companies

**Interim Report
to the Shareholders for
the Year Ended
December 31, 1971**

CONSOLIDATED STATEMENT OF EARNINGS

Sales and Other Income	
Sales of Products and Services	
Other Income	
Earnings before deducting Undernoted Items	
Depreciation, Depletion and Amortization	
Interest on Borrowed Money	
Earnings before deducting Income Taxes and	
Minority Interests	
Income Taxes:	
Current	
Deferred	
Earnings before deducting Minority Interests	
Minority Interests in Earnings (Losses) of	
Consolidated Subsidiaries	
Net Earnings for the Six Months	
Earned per Share (dollars)	

NOTE: Subject to audit.

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF WORKING CAPITAL

Source of Working Capital	
Net Earnings	
Non-cash Charges	
Depreciation, Depletion and Amortization	
Deferred Income Taxes	
Minority Interests in Earnings of	
Consolidated Subsidiaries	
Proceeds from Debentures and Other	
Long-term Debt	
Equity Provided by Minority Interests (net)	
Issue of Shares	
Realization of Funds allocated for Capital Purposes*	
Application of Working Capital	
Net Additions to Property, Plant and Equipment	
Investments and Other Assets	
Dividends Paid	
Payments of, and Current Provision for,	
Long-term Debt	
Sundry	
Increase (Decrease) in Working Capital	
Working Capital at Beginning of Period	
Working Capital at End of Period	

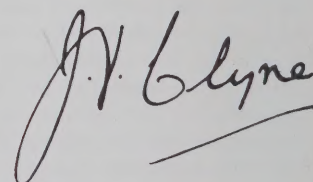
* Of this, \$1.0, \$.8 and \$18.5 million in the years 1970, 1969 and 1968 respectively represent funds released by the trustee for the bondholders of the Alabama project.

NOTE: Subject to audit.

during which an appeal may be lodged against the Court's decision has not yet expired, no portion of the award was credited to earnings during the six months ended June 30, 1971.

The improvement in the Company's earnings from the low levels of the fourth quarter in 1970 and the first quarter in 1971 may be expected to continue during the balance of 1971. However, substantial wage increases stemming from settlements negotiated in 1970, a deterioration in the pulp market, and a continuation of unfavourable foreign exchange factors have delayed a return by the Company to an acceptable level of profitability.

With respect to increased costs as they affect newsprint production, the continuing studies of the relationship between the costs of production and the price received for newsprint have indicated that the Company has no recourse but to increase the product price. Accordingly, prices for standard and 30 lb. newsprint manufactured by the Company will be increased by \$8 per ton with effect November 1, 1971. This price change, which does not entirely cover the Company's related cost increases, has been made with the utmost reluctance and represents a price increase of approximately 5%.



Vancouver, Canada
July 30, 1971

Chairman and
Chief Executive Officer



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**MacMillan
Bloedel Limited**
and Subsidiary Companies

A handwritten signature in purple ink, appearing to be 'Jim', is written over the company name.

**Interim Report
to the Shareholders for
the Year Ended
December 31, 1971**

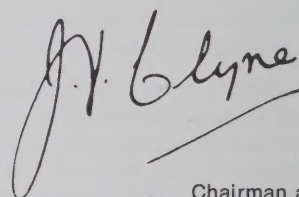
INTERIM REPORT TO THE SHAREHOLDERS FOR THE YEAR ENDED DECEMBER 31, 1971

The audited financial statements of the Company for the year ended December 31, 1971 will be mailed in April to all shareholders together with notice of the annual meeting. This interim report will, in the meantime, provide the shareholders with a brief review of the year's operations.

The Company's net earnings (including Extraordinary Items of \$3,440,041) rose from \$17,425,816 in 1970 to \$25,469,025 in 1971. Sales and other income also increased during 1971 to a figure of \$710,246,346 as compared with \$651,101,304 in 1970.

Several of the serious problems which forced 1970 profits to very low levels continued to affect the Company in 1971. Further rises in costs of labour, supplies and transportation, disadvantageous foreign exchange conditions and persistent sluggishness in some markets hampered a return to satisfactory profit performance.

However, an improvement in the wood products market, careful supervision of controllable costs and an absence of large-scale work stoppages combined to assist the Company to achieve a partial profit recovery during 1971. Economic indicators suggest that the momentum of this recovery should continue in 1972 in the absence of any serious work stoppages affecting the forest industry. Even without strikes in 1972, the industry in British Columbia will not achieve what should be considered a satisfactory return on investment.



Vancouver, Canada
February 23, 1972

Chairman and
Chief Executive Officer

CONSOLIDATED STATEMENT OF EARNINGS

YEAR ENDED DECEMBER 31 (in millions of dollars)

	1971	1970
Sales and Other Income		
Sales of Products and Services	\$703.7	\$646.1
Other Income	6.5	5.0
	<u>\$710.2</u>	<u>\$651.1</u>
Earnings before Undernoted Items	\$103.9	\$103.2
Depreciation, Depletion and Amortization	48.9	48.2
Interest on Borrowed Money	18.5	18.6
	<u>67.4</u>	<u>66.8</u>
Earnings before Income Taxes, Minority Interests and Extraordinary Items	<u>36.5</u>	<u>36.4</u>
Income Taxes		
Current	21.8	17.6
Deferred	(4.0)	1.2
	<u>17.8</u>	<u>18.8</u>
Earnings before Minority Interests and Extraordinary Items	18.7	17.6
Minority Interests in Losses (Earnings) of Consolidated Subsidiaries	3.3	(.2)
Earnings before Extraordinary Items	22.0	17.4
Extraordinary Items	3.5	—
Net Earnings	<u>\$ 25.5</u>	<u>\$ 17.4</u>
Earned per share (dollars)		
Earnings before Extraordinary Items	\$ 1.06	\$.83
Extraordinary Items16	—
Total	<u>\$ 1.22</u>	<u>\$.83</u>

NOTE: Subject to audit

shipment volumes increased by approximately 12% in 1971—reflecting a record production year. The Company's Packaging operations also enjoyed a successful year and made a significant contribution to the Company's total sales and profits.

The degree of profit recovery would have been somewhat greater but for the trying year experienced by MacMillan Rothesay Limited. This company, which is owned 51% by MacMillan Bloedel Limited and 49% by Feldmühle A.G., was faced with unsteady product demand at a time when it was tackling not uncommon problems associated with the start-up of its second newsprint machine. However, these problems have now been largely overcome and given reasonable improvement in market conditions the investment in MacMillan Rothesay will, in due course, add extra strength to the Company.

Despite the adverse conditions prevailing during 1970 and 1971, the Company continued to make common share dividend distributions at an annual rate of \$1.00 per year for as long as it was prudently possible to do so. After many months of seriously reduced earnings, however, it became necessary to omit the quarterly dividend on ordinary shares in June of 1971. Since that time, dividend payments have been resumed at levels commensurate with the degree of profit recovery. In total, common share dividends were distributed in 1971 amounting to 50 cents per share.

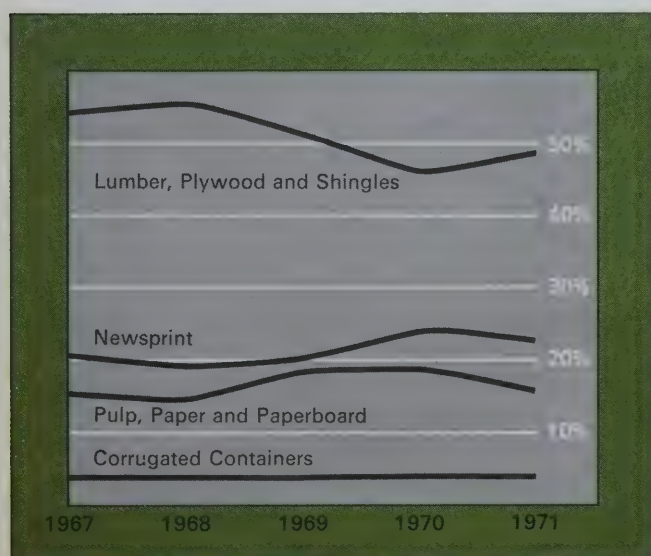
The absence of widespread work stoppages in the Company's operations contributed materially to the partial recovery of profits. Such recovery is likely to continue if there is no return to the disastrous con-

ditions of labour strife which existed in 1970 when work stoppages in the towboat and longshoring industries prevented the movement of logs and the shipment of the Company's products. During 1972, a great deal will also depend on the abilities of the Canadian and United States governments to induce a further resurgence of economic activity whilst at the same time dampening the demands and fears which may stem from a scepticism relating to the control of inflation.

Notwithstanding the uncertainties attaching to these matters, the continuing high levels of housing starts and other demand factors suggest that the progress made by the Company's Building Materials and Packaging operations should continue at a satisfactory pace during 1972. The Pulp and Paper activities of the Company should benefit in 1972 from an improvement in liner-board demand, and there are some signs of a correcting trend with respect to the unsatisfactory newsprint supply/demand situation which existed in 1971. Some improvement in the oversupply situation in wood pulp may also be seen in 1972 but significant upward trends in pulp earnings in the short term are unlikely even under more buoyant economic conditions.

Overall, therefore, 1972 has the potential to be a better year for the Company and the Canadian forest industry generally. Its promise will not be met, however, unless due recognition is given by governments and labour to the danger of falling profits and increasing unemployment which will result if the industry is subjected to further cost burdens without the benefit of increased productivity. A more detailed review of the Company's principal activities in 1971 follows.

3. Percentage Contribution to Sales by Products



4. Distribution of Total Income

	1970	1971
Purchase of Goods, Supplies and Services . .	57.8%	56.9%
Wages, Salaries and Employee Benefits	26.7%	28.3%
Federal, Provincial and Municipal Direct Taxes .	5.4%	5.3%
Depreciation, Depletion and Amortization	7.4%	6.9%
Minority Interests in Earnings (Loss) of Consolidated Subsidiaries . .	—	(.5%)
Dividends	3.2%	1.5%
Earnings Retained (excluding extraordinary items)	(.5%)	1.6%
	100.0%	100.0%

Resources

Over the years, changing circumstances and conditions have altered the characteristics of some of the Company's land, timber holdings and industrial properties. Following the completion in 1971 of the first phase of a detailed review of all of the Company's resources, a number of parcels of real property were determined to be no longer suited to the requirements of the Company. Accordingly, MacMillan Bloedel Properties Limited, a wholly owned subsidiary which has been formed for the purpose of developing various kinds of real property, acquired the land holdings in question.

Some of these lands include ocean, river and lake frontages and are suitable for recreational development. Over a period of years development of these properties will satisfy some of the growing public demand for such homesites. It will also create substantial public benefits through increased tax revenues that will result from the higher economic use of these lands.

In other areas, new timber holdings were acquired in 1971. In Alabama 12,300 acres of pine sawtimber and pulpwood were added to the acreage at present controlled and, in order to ensure that an adequate supply of black poplar and aspen will be available for the expanded Aspenite operations, the Company signed an agreement in July 1971 with the Government of Saskatchewan under which the licensed cutting area has been increased by one third to approximately 1,570 square miles.

In British Columbia, the Company's intensive forestry programme of planting, thinning, seed production and experimental work continued successfully. Over 14,000 acres were reforested this year, raising the total number of trees planted by the Company in British Columbia to 76 million. The reforestation activities are the initial vital part of a sustained yield operation but the other portions of the forestry programme are also exceedingly important and during the past year 17,000 acres additional to those which were planted received treatment to improve growth of the timber stands.

A significant reforestation programme was also carried out on the Company's timberlands in Alabama; 8,700 acres were planted with pine seedlings and another 9,300 acres were prepared for future planting.

Some insect damage was suffered during 1971. Black-headed budworm attacked hemlock trees in nearly 7,000 acres of Company timber at high elevations in the south central part of Vancouver Island. It is planned to give logging priority to the infested areas in an attempt to contain the outbreak without the use of chemical sprays.





Logging

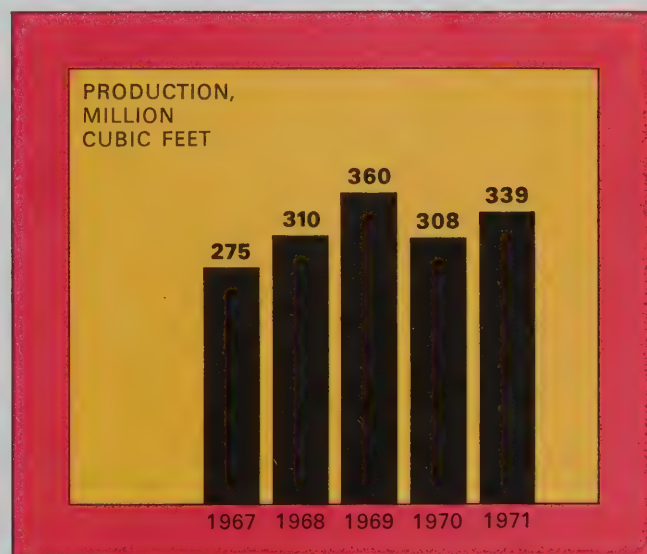
During 1971, the Company's operations in British Columbia utilized 331 million cubic feet of logs. The Company's own logging operations produced 299 million cubic feet and net outside purchases of logs and inventory reductions accounted for the balance.

Although the Company's 1971 log production in British Columbia was 8% higher than in the previous year, the results fell short of maximum potential as a result of extremely harsh winter seasons both at the beginning and the end of the year. Some production loss was also experienced as a result of illegal strike action by a relatively small number of logging employees.

As part of the ongoing search for operational improvements, advances were made during the year with respect to British Columbia coastal log transportation techniques. Traditionally, logs have been moved by the flat raft method under which free floating logs restrained by an enclosure of boomsticks are towed by tug. In later years log barging was introduced to transport logs on long hauls and in open waters. In recent years, as a further step to reduce log losses, cut transportation costs and minimize loose logs and debris, the Company has adopted the practice of bundling logs. In 1971, the use of this technique increased significantly and nearly 60% of all logs handled in the Gulf of Georgia area in the past year were delivered to the Company's mills by barge or in bundled form. This percentage will increase again in 1972.

Operating costs continued to increase in 1971. This was due in part to higher labour and supply costs and in part to the severe winter weather already mentioned. Higher

5. Logs



Building Materials

Logging *(continued)*

production levels attained during most of the year helped, however, to limit the overall extent of the increase in net unit costs.

Stumpage and royalty payments to the Province of British Columbia which in aggregate totalled \$6,215,000 in 1971 reflected the increased log production and also higher log values to which stumpage rates are attached. Payments to the Government over the past five years for stumpage, royalties, timber taxes, licences and fees compare as follows:

Year	Crown Stumpage and Royalties	Timber Taxes, Licences and Fees	Total
1967	\$2,710,000	\$3,176,000	\$ 5,886,000
1968	4,618,000	3,072,000	7,690,000
1969	7,144,000	4,066,000	11,210,000
1970	5,187,000	4,554,000	9,741,000
1971	6,215,000	4,173,000	10,388,000

The Company again escaped serious fire loss during the summer season although some production slow-down resulted from fire hazard restrictions.

1971 was a year of recovery for the Company's Building Materials operations, reflecting generally improved market conditions, especially in the last half of the year, and better utilization of plant capacities due to a more stable labour situation. These improvements were partially offset by increased wage and salary rates and the effect of currency revaluations.

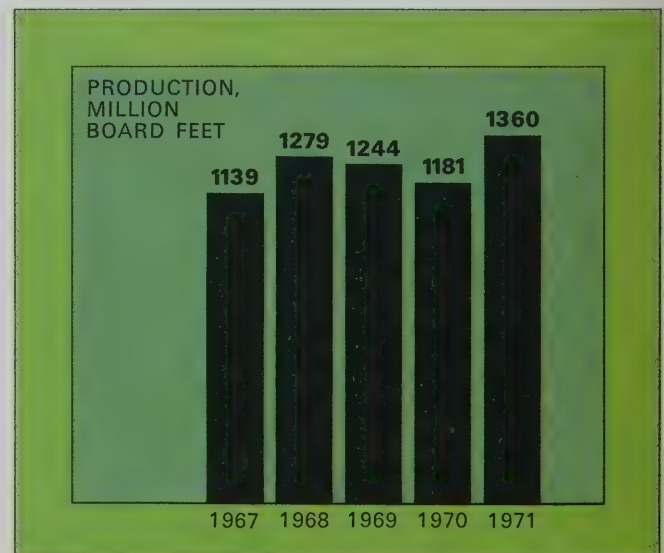
1971 was also a year of re-organization for this area of the Company's activities. These are now divided between a lumber and shingles department and a panelboard department. Each department, headed by a vice-president, is responsible for the full range of activities relating to its product line from manufacturing to sales. Thus, communication between production facilities and end users has been much improved.

Production and sales of most of the Company's Building Materials products showed increases in 1971 as indicated in the following paragraphs.

Lumber

The Company's lumber production during 1971 set a new record and enabled lumber shipment volumes to exceed those of 1970 by approximately 12%. The higher levels of production and sales reflected a steady increase in demand in the United States where housing starts reached record levels. The degree of demand in

6. Lumber



Japan and the United Kingdom was less than anticipated, but was returning to a more normal level by year-end. Although overall manufacturing costs continued to increase, their impact was somewhat reduced by further improvements in wood recovery practices during the year. Higher price levels were maintained for most lumber grades and categories throughout the year.

Shingles

An active market developed for shingle products in 1971 with a corresponding favourable improvement in the price structure. Production was 6% higher than in 1970.

Plywood

Following a slow first quarter, demand for plywood in North America gradually increased throughout the year, enabling a recovery in prices from the low levels experienced in 1970. Rising cost trends were partially offset by improved raw material utilization.

Aspenite Panels

Through development of new end-use markets in Canada and the United States, demand for Aspenite panels readily consumed the additional production available from the expanded plant in Hudson Bay, Saskatchewan. Shipment volumes increased by 83% and price levels improved in the latter half of the year.

Particleboard

There was a significant growth in the consumption of particleboards in Canada during 1971 and the Company's k3 particleboard shipments increased in the year by 22%. Although competition from imported boards, principally those manufactured in the U.S.A., remained very strong, prices were increased slightly during the year as the U.S. market improved.

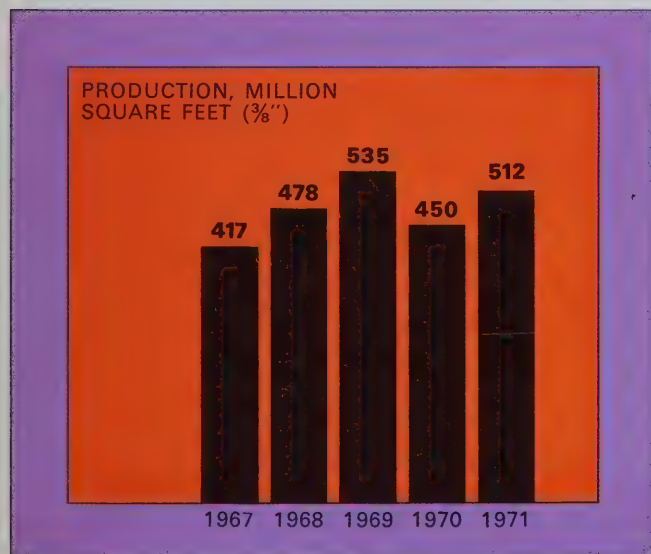
Specialty Boards

Shipment volumes of specialty boards in 1971 were 51% above 1970 levels and sales of the Company's coated plywood concrete form products, Plygard and Uraply, continued to show growth in spite of strong competition.

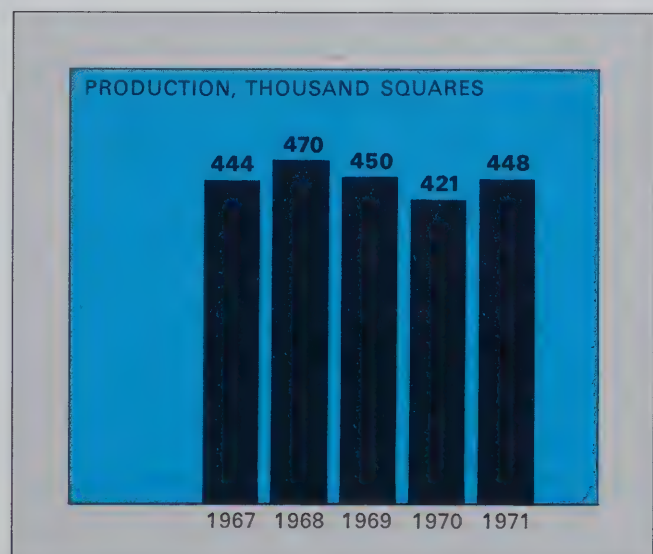
The contracts under which the company sells lumber, plywood and shingles manufactured by British Columbia Forest Products Limited and export lumber produced by Sooke Forest Products Limited, continue to prove a very satisfactory arrangement for all parties involved. During the year, MacMillan Bloedel Limited was appointed sales agent for Acorn Forest Products Limited, Vancouver, British Columbia, and River Sawmills Company at The Pas, Manitoba.

Further statistical details of production and sales are shown on graphs numbered 6 to 9 on pages 6 to 8.

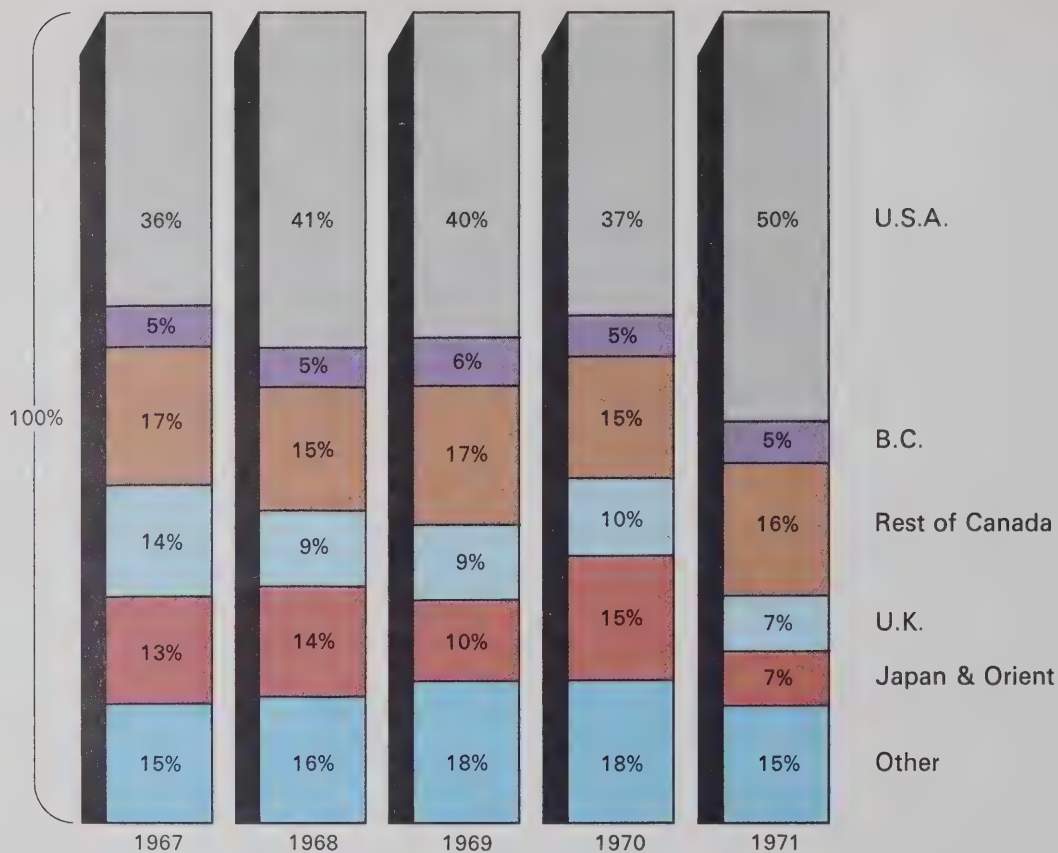
7. Plywood



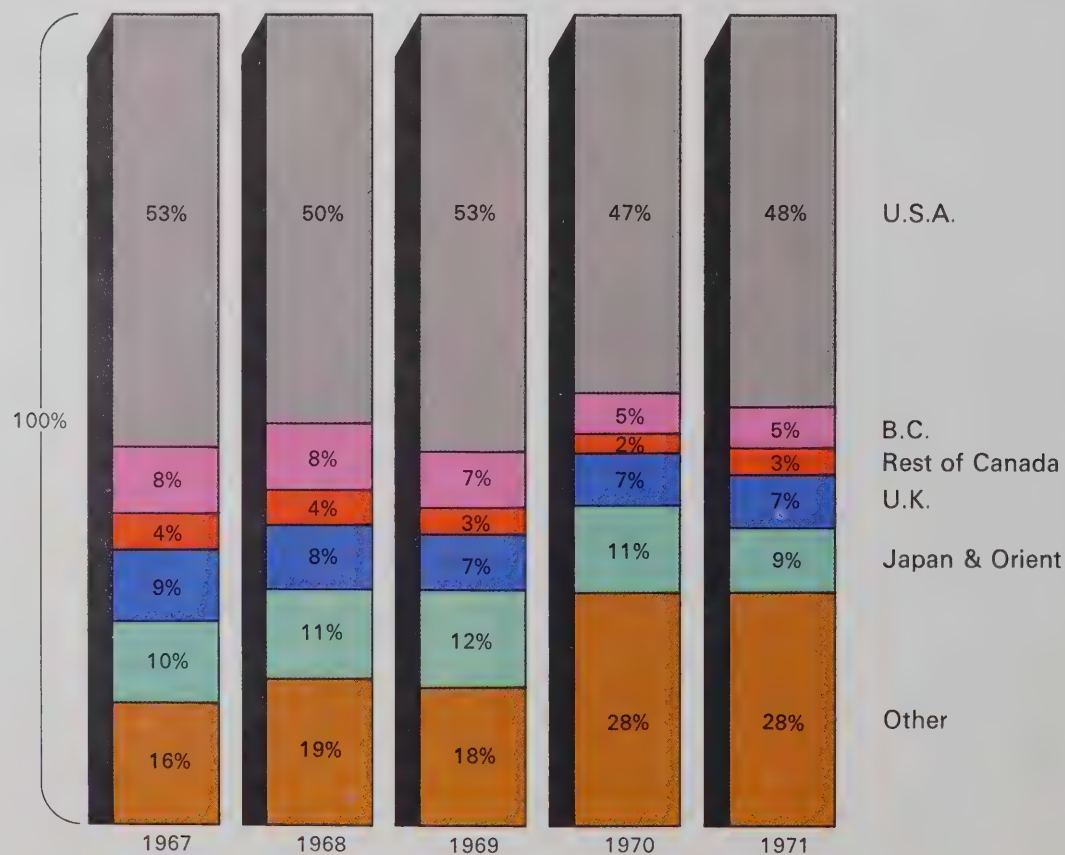
8. Shingles



9. Sales of Lumber, Plywood and Shingles by Markets



10. Sales of Newsprint, Pulp, Kraft Paper and Paperboard and Fine Paper by Markets





Pulp & Paper

As a result of a combination of economic factors similar to those prevailing during the preceding year, the Canadian pulp and paper industry continued to find itself in the difficult position of attempting to recover sharply increasing costs in the face of supply/demand imbalances and a deteriorating United States dollar value.

Although no major labour contracts were re-negotiated in 1971, the second stage of a number of labour contracts entered into by the Company in 1970 added significantly either directly or indirectly to the costs of the Pulp and Paper operations. Transportation costs — also an area of crucial importance — showed a net upward movement. Lower deepsea charter costs were more than offset by other freight rate and distribution cost increases — particularly for rail movements. However, the new deepsea barge system inaugurated in 1971 on the Atlantic coast to serve customers of MacMillan Rothesay Limited has proved to be successful, and a second barge is scheduled to enter service in early 1972.

In most of the world's major pulp and paper markets prices are quoted in United States dollars and contracts normally call for payment in United States dollars. The value of the latter in terms of Canadian dollars dropped significantly in 1970 and continued to fall in 1971. Thus, for the second consecutive year, the Company incurred a material reduction in earning power as a result of adverse foreign exchange conditions.

Every effort was made in all phases of pulp and paper operations to overcome these difficulties and the levels of production and sales for both commodities were satisfactory in the circumstances. Production was assisted by the absence of work stoppages in British Columbia but the United States strike by longshoremen created severe distribution problems and much ingenuity and additional expense were required to maintain an uninterrupted flow of products to customers.

Market experience with respect to individual products in 1971 may be summarised as follows:

Newsprint

Shipments from the Company's British Columbia mills were virtually unchanged from 1970 but the sales volume of MacMillan Rothesay Limited increased substantially following the commencement of operation of its second newsprint machine in March 1971.

Newsprint prices were relatively stable most of the year following price increases which took place early in 1971. A further increase in price levels has occurred since December 31, 1971.

Pulp

The kraft pulp market was weak throughout 1971, especially in the last half. During this period, kraft pulp inventories were abnormally high in Canada and throughout the rest of the world. Prices were extremely weak but some improvements were achieved in offshore markets.

Kraft Paper and Paperboard

Demand for kraft paper and paperboard remained relatively strong in Western Canada and the United Kingdom, and the kraft paper machine at Port Alberni continued to operate at capacity in 1971.

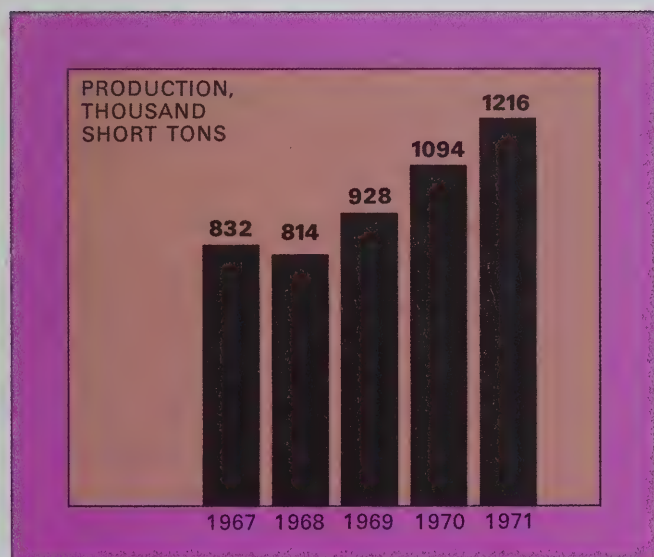
The United States linerboard market was depressed for much of 1971 but improved in the later stages. The Company's Alabama mill took advantage of this improvement and also increased its export activities. As a result, total shipments in 1971 increased by more than 25% when compared with 1970.

Fine Paper

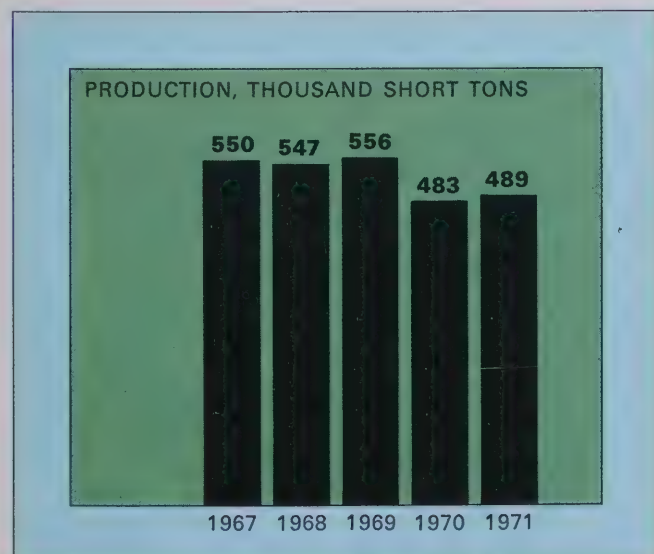
The production and sales volume of the Company's Annacis Island fine paper mill remained relatively unchanged from 1970 despite increasing competition. Some price erosion occurred.

Graphic displays of the Company's pulp and paper production and the sales by markets are shown on pages 8 and 11.

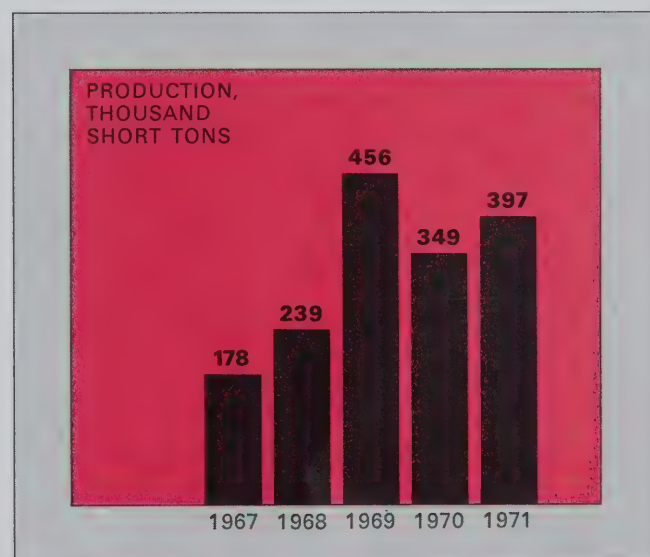
11. Newsprint



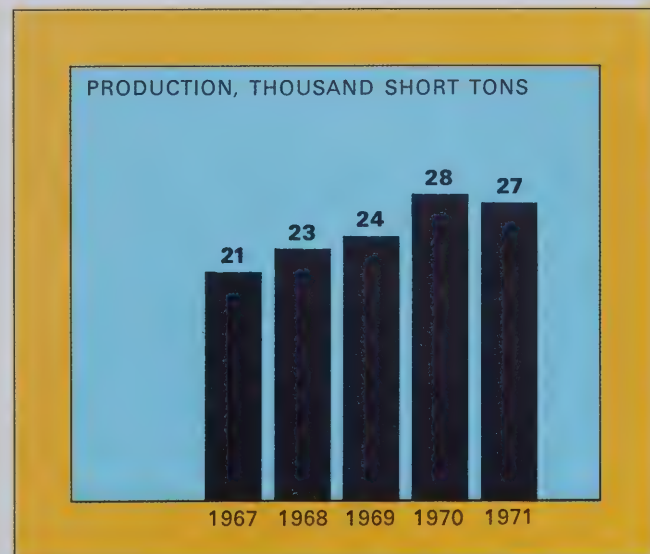
12. Pulp

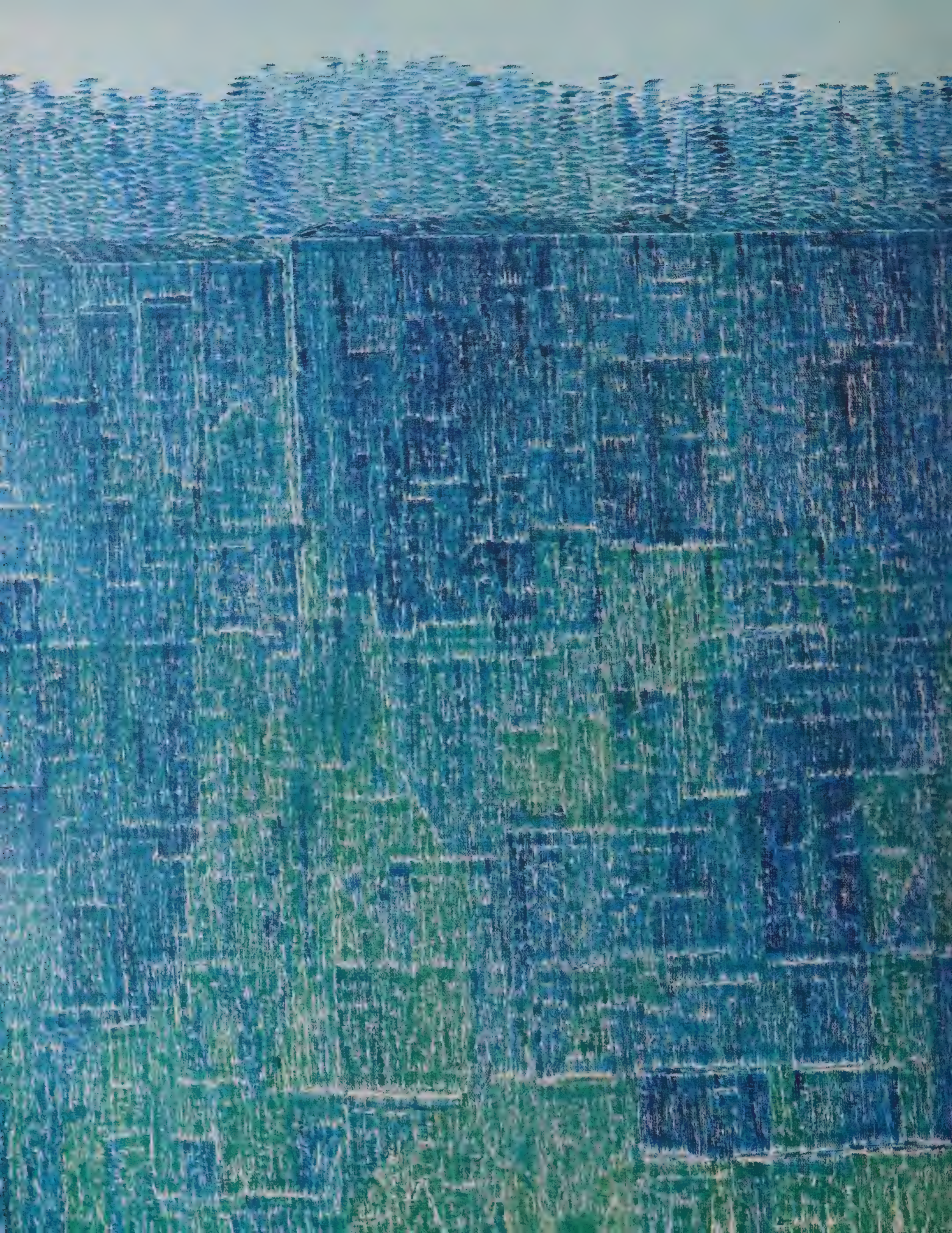


13. Kraft Paper and Paperboard



14. Fine Paper





Packaging

The Company added to its Packaging operations during 1971 by the purchase of a corrugated box plant from Hoerner Waldorf Corporation. This facility, which is situated at Odenton, Maryland, is being expanded to include the operations at present carried on by the Company's Baltimore box plant whose leased premises are no longer entirely suitable. When the expansion is completed, Odenton will be capable of producing corrugated paper products having an annual sales value of approximately \$8,000,000.

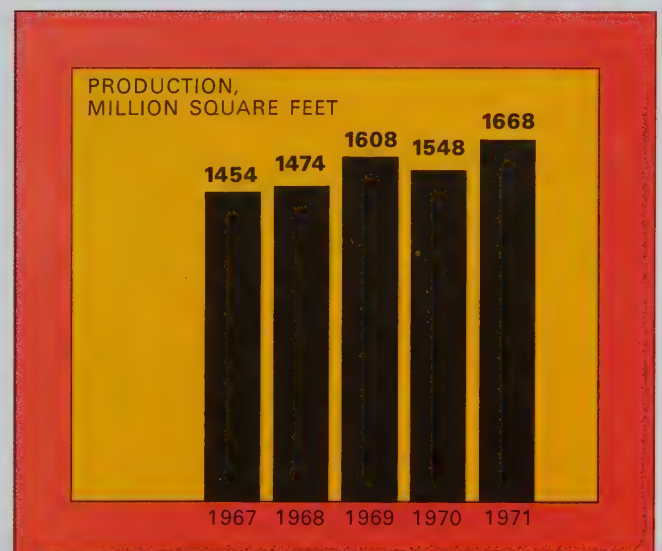
Including the extra sales resulting from the newly acquired United States plant, world-wide sales of MacMillan Bloedel's packaging operations increased by 7.5% over 1970. Both the Canadian and United Kingdom operations recorded excellent growth, and the Folding Carton operation in British Columbia experienced a particularly successful year by gaining a large volume of beer carton business.

Sales prices increased somewhat in the United Kingdom and minimal increases occurred in Canada with respect to certain corrugated and folding box products. In the Eastern United States and in the Canadian bag and specialty field, sales prices were reduced.

The general improvement in the results of the Company's packaging operations was achieved in the face of a number of rising costs and, with the exception of the United Kingdom, without any significant assistance from higher prices.

The Company's fifteen packaging plants utilized over 295,000 tons of paper and board during 1971 of which 169,000 tons were derived from Company mills.

15. Corrugated Containers





International Operations

MacMillan Bloedel, apart from its merchandising organizations and independent sales agents operating in 40 countries, has major investments in the United States and the United Kingdom and has smaller but important interests in operations in seven other countries around the world. A brief review of each of these investments follows.

United States

The Company's principal operation in the United States is located at Pine Hill, Alabama, and consists of a modern integrated kraft linerboard mill and sawmilling and plywood facilities. The linerboard mill has an annual production capacity of 315,000 tons. The whole complex is supported by timber derived from approximately 390,000 acres of timberland of which about 90,000 are owned in fee by the Company.

In addition to the Alabama investment, MacMillan Bloedel operates three corrugated container plants in Jersey City, Baltimore and Odenton (the last two will shortly be combined), and conducts a wholesale building materials business in ten states, principally in the eastern and southern parts of the country.

As a result of improvements in market conditions, both the building materials and packaging operations



experienced a successful year. As previously mentioned, the Pine Hill linerboard business was faced with a depressed market for a substantial part of the year. However, a reasonably good recovery of the United States market conditions occurred in the fourth quarter of the year and there are indications that this improvement will continue in 1972.

United Kingdom

A major part of MacMillan Bloedel's packaging business is represented by five corrugated container plants in Great Britain. Two of these plants were constructed by the Company in recent years and the others have been updated and enlarged—the facility at Hatfield being one of the largest corrugated box plants in the world.

Serious inflationary conditions in the United Kingdom led to significant labour and supply cost increases during the year. The United Kingdom box plants nevertheless

increased both sales and profits during 1971 as a result of increased productivity and lower paper costs.

In addition to the box plants, the Company operates two cargo lumber terminals in the United Kingdom, at Tilbury and Newport, through MacMillan Bloedel Meyer Limited in association with Montague L. Meyer Limited. These terminals were constructed in 1967 as deep draft facilities to minimize the number of ports of call and to permit bulk handling techniques to be applied to the import of building materials shipped by the Company to the United Kingdom.

Hong Kong

MacMillan Jardine Limited, the subsidiary company which effects an association between MacMillan Bloedel and Jardine, Matheson & Co. Limited, continued to be an important outlet in the Far East for the Company's wood products and pulp and paper. The profits of

International Operations *(continued)*

this subsidiary declined somewhat in 1971, reflecting the general business conditions prevailing during the year in that part of the world.

Malaysia

In spite of very depressed market conditions for hardwood logs in Japan, Mentega Forest Products Sdn. Bhd. — the joint venture company in which MacMillan Jardine Limited holds a 30% interest — successfully completed its first year of logging. After serious study, the Mentega directors have decided to proceed with the building of an integrated plywood and blockboard plant at Pekan in Pahang State. This plant is expected to be in operation by late 1973. Consideration will be given during the next two years to the addition of a sawmill and/or flakeboard operation. The other shareholders in Mentega Forest Products are the Pahang State Development Corporation and Y.A.M. Tengku Arif Bendahara, Pahang.

Singapore

In order to expand further and diversify its hardwood marketing activity, MacMillan Jardine Limited, in association with Montague L. Meyer Limited of London, England, is proceeding with the development of a joint organization in Singapore for the worldwide sale of Malaysian and other South East Asian hardwood lumber, plywood and veneer products.

Indonesia

In 1971, successful results were achieved by a logging operation in East Kalimantan whose output is marketed by MacMillan Jardine Limited, and in which they have a small financial interest. The development of future possibilities in Indonesia is receiving careful study.

Australia

Construction commenced on "Northside Gardens", the first of two real estate projects in which the Company

has joined Jardine Matheson & Company (Australia) Pty. Limited. Northside Gardens is an apartment, motel and office building development in the fast growing area of North Sydney. The second project, "Northpoint", which is due to commence in 1972, involves the construction of a major and very beautifully designed complex of office building, theatre and shops, also in North Sydney.

The Company's interest in these projects is held by MacMillan Bloedel Pty. Limited — a wholly owned subsidiary which markets MacMillan Bloedel products in Australia.

Holland

Although the economies of most of the European Economic Community countries were depressed during 1970 and 1971, the Common Market is an extremely important trading area — the more so as a result of Great Britain's expected entry. Apart from its United Kingdom packaging subsidiary, the Company's principal investment in this area is its minority holding in Koninklijke Nederlandsche Papierfabriek N.V. — one of the major fine paper manufacturers in Europe. Some profit improvement was recorded by KNP in 1971 notwithstanding the rather poor market conditions.

Spain

MacMillan Bloedel Limited and Koninklijke Nederlandsche Papierfabriek N.V. each holds a 37½% interest in Celupal S.A., a fine paper company in Spain. Celupal has experienced several difficult years but there are indications that the company will achieve better results in 1972.

None of the Company's international investments has been affected at the present time by the new Canadian Income Tax legislation relating to overseas interests. Whether or not any disadvantageous future effects will arise will depend in large measure on the terms of reciprocal tax agreements to which Canada is a party, which will have to be re-negotiated as a result of the new legislation.



Industrial Relations

The majority of the Company's employees, other than salaried, are governed by union agreements of two and three year terms negotiated in 1970, but six contracts affecting some 600 employees expired in 1971. These were renewed without work stoppages for periods of two to five years.

As a means of developing better understanding and resolution of mutual problems, meetings were initiated during the year between senior Company officials and representatives from the International Woodworkers of America, the International Brotherhood of Pulp, Sulphite and Paper Mill Workers, the International Brotherhood of Electrical Workers and the United Papermakers and Paperworkers. The discussions which took place were constructive. With the same aim in view, the Company carried on an expanded programme of management and supervisory training, and specific courses in labour relations and economics were commenced during the year.

The Federal Government in 1971 proposed a revised Canada Labour Code which, if accepted, would seriously inhibit innovation in Canadian industry. Proposals relating to technological change would give unions under Federal jurisdiction the right to delay or to stop such changes. Unions would also be given the right to strike during the tenure of a collective agreement. The principle of these proposals runs counter to other

government efforts to encourage technological advance in Canada. MacMillan Bloedel agrees with the concept of advance notice to unions and employees of impending technological change and orderly reduction or re-assignment of the work force. Where appropriate, the Company's collective agreements already contain such provisions. However, the government's proposals could make it extremely difficult for industry to institute technological change in order to improve productivity if faced with unreasonable labour demands. Impediments to change would be imbedded in the Labour Code itself.

Finance

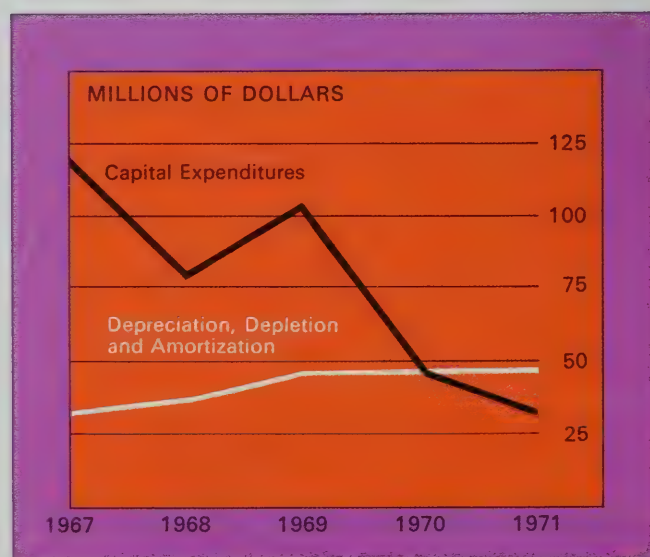
Very tight supervision of capital and other controllable expenditures, increased profits and the proceeds derived from the Series D and E debenture issues combined to increase the Company's working capital from \$80,480,802 as at December 31, 1970 to \$122,443,502

16. Distribution of Shares and Shareholders

As at February 14, 1972		
	Shares	Shareholders
Canada	16,352,909	18,659
United States	3,957,498	1,137
United Kingdom	44,737	99
Other	85,848	229
	<u>20,440,992</u>	<u>20,124</u>
Share Warrants	435,393	
	<u>20,876,385</u>	

In regard to share warrants, it is estimated that 75% are held in the U.S.A. and 25% in Canada. The number of warrant holders is not known.

17. Capital Expenditures



as at the end of 1971. The ratios of current assets to current liabilities as at those dates were 1.62:1* and 2.06:1 respectively.

The Series D and E debentures issued on May 15, 1971 yielded to the Company net proceeds of \$9,950,000 and \$19,660,000 respectively prior to legal, audit and printing expenses. The Series D debentures have a seven year term and bear interest at the rate of 7½%; the Series E are due in 1991 and carry interest at 8½%. These new issues consolidated the Company's cash position after a period of heavy capital expenditures ending in 1970.

The profit and loss account for the year ended December 31, 1971 reflects a net credit of \$3,440,041 with respect to extraordinary items. From time to time the Company has invested in minority positions in companies whose operations looked to have promise in future years. During 1971 some of these investments were sold at a net gain of \$3,529,665, which amount is included in extraordinary items.

A number of losses have been accumulated in prior years by some of the Company's subsidiaries in respect of which, in accordance with accepted accounting practices, the associated tax recoveries were not then reflected. In 1971 some of these subsidiaries earned profits against which portions of the earlier losses were applied. The resulting tax saving of \$1,366,000 is also included under the extraordinary items caption.

As indicated in the Report to the Shareholders for the six months ended June 30, 1971, it was decided during the year not to proceed with the construction of a pulp

or paper mill at Whitecourt, Alberta. The extraordinary items for the 1971 year also reflect a write-off of \$1,455,624 of unrecoverable costs relating to timber cutting rights which lapsed as a result of that decision.

In May, 1971, the Supreme Court of British Columbia awarded the Company \$1,213,669 in an action brought by the Company against British Columbia Hydro and Power Authority and others with respect to fire damage caused to its timberlands. Because an appeal against this judgement has been filed, the financial statements for the year ended December 31, 1971 do not reflect the award.

During 1971, the Canadian corporate income tax rate as applicable to most of the Company's operations was reduced from 51.41% to an effective rate for the year of 49.04%. As a result, the Company's tax load for the year diminished by approximately \$950,000.

In 1972, the Canadian corporate income tax rate will be 46.5% in British Columbia. However, the combined rate of Federal and Provincial income and B.C. logging taxes applicable to MacMillan Bloedel's British Columbia operations will probably still amount to over 50%.

The new Canadian Income Tax Act which contains legislation of unparalleled complexity was adopted by Parliament in 1971 and is effective as of January 1, 1972. The new Act has already added measurably to the administrative burdens of the Company but it will be some time before its effects on the Company's overall position can be determined.

*This ratio is shown as 1.66:1 in the 1970 Annual Report.
A reclassification of income taxes recoverable now causes the ratio for 1970 to work out to 1.62:1.

Capital Expenditures

Included in the capital expenditures for the year were costs of \$2,912,769 in respect of newsprint barges for the MacMillan Rothesay operations and an amount of \$2,535,950 laid out with respect to the new steam plant at MacMillan Rothesay. The total capital expenditures for the year are grouped under the following headings:

Logging	\$ 9,450,123
Building Materials	4,893,127
Pulp and Paper	12,394,571
Packaging	3,686,011
Other	<u>2,390,073</u>
	<u>\$32,813,905</u>



Environment

During 1971, stringent regulations establishing upper limits for discharges of pollutants were issued by the Canadian and British Columbia governments and proposed air pollution regulations were put forward in Alabama. Some additional equipment for the power boiler at the Alabama facilities may be needed but in all other respects MacMillan Bloedel's existing anti-pollution projects when completed will enable the Company to meet these new regulations.

In addition to the Company's various pollution abatement projects, further details of which are given later, MacMillan Bloedel for some time has been co-ordinating its industrial activities with ecological and environmental requirements. Long term logging plans for instance are being developed in consultation with various levels of Government and various interested groups under which preservation and development of fish and wildlife habitats, aesthetics and recreational use represent prime objectives. The single most comprehensive study to date, however, was launched in 1971 when an environmental and resource management consulting firm was engaged to examine how best to wed industrial, community and ecological requirements in the Somass River delta.

The study will encompass many areas including the civic needs of Port Alberni (such as sewage disposal, the airport, transportation and recreation), the Company's mill waste disposal and log sorting operations, and the requirements of indigenous wildlife including a flock of rare trumpeter swans.

The following summary of major capital projects indicates the progress of pollution abatement programmes during 1971 and illustrates some of the complexities of the problems being overcome.

The final phase of a primary and secondary water system to remove solids and wood sugars from mill effluent before discharge into the Alberni Canal was completed in late 1971.

At Harmac the first of the new precipitator installations is now operating at over 99% efficiency—a level which exceeds the requirements of the British Columbia Provincial Government. Construction of a second unit and the upgrading of two existing units to achieve the same level of performance are scheduled for completion by mid 1972.

A three year programme to reduce water pollution at Harmac received approval of Federal and Provincial Regulatory Bodies. This programme includes primary water treatment, foam reduction and other features.

A three year programme at Powell River to reduce solids losses by in-plant modifications, including recycling wherever possible, will be concluded in March 1972 with the completion of a \$1.2 million project to collect cinder and fly ash from the power boilers. The system will recycle the combustibles to the boilers and dispose of the balance, mainly sand, as land fill. Process engineering is completed and design engineering is underway for primary water treatment.

A primary treatment system to reduce fibre losses, currently under construction at MacMillan Rothesay Limited will be completed in July 1972. This clarifier will be supported by expanded storage and recycling facilities which will eliminate accidental losses that could overload the treatment system. Total cost of both projects will be approximately \$2.0 million.

Progress in pollution abatement results in the retention of salt which enters the system from sea-borne logs and seriously restricts mill production capacity. A new salt removal process developed by MacMillan Bloedel has been proven in pilot plant trials and a full-scale system will be installed at Harmac in mid 1972.

A major waste disposal problem has been solved by utilizing the dust from the Vancouver particleboard sanding operations as an additive in the preparation of plywood glues instead of other fillers formerly used.

The Company's Research and Development department, in addition to its regular programme relating to product and operational improvement, has contributed very materially to many of the above noted projects. In addition, this department is engaged in laboratory experiments and studies aimed at further improvements in the environmental field.

The Company has now withstood two of the most difficult years in its history and achieved in 1971 some recovery from the very low point of 1970. The concerted efforts of its employees during the past year contributed materially to that achievement and the Board of Directors takes this opportunity to express its thanks to them. The forest industry constitutes the principal economic foundation of British Columbia and it is imperative, therefore, that the Company and its employees work together to restore the industry to its former economic health. Only in that way can the industry continue to generate a stable source of income for employees, government and shareholders.



Chairman and Chief Executive Officer

Vancouver, Canada
March 10, 1972

Historical Review*

Operating

	1971	1970	1969
Production			
Logs (M Cu. Ft.)	338,578	307,920	359,924
Lumber (M FBM)	1,359,605	1,180,541	1,244,260
Plywood (M Sq. Ft. %")	512,377	450,029	534,950
Shingles (Squares)	447,701	420,929	449,837
Particleboards (M Sq. Ft. %")	196,535	145,078	133,154
Specialty boards (M Sq. Ft.)	25,331	21,419	22,668
Newsprint (Short tons)	1,216,359	1,093,765	927,868
Pulp (Short tons)	489,308	483,059	556,468
Kraft paper and paperboard (Short tons)	396,618	349,298	455,654
Fine paper (Short tons)	27,439	27,631	24,331
Corrugated containers (M Sq. Ft.)	1,667,657	1,547,550	1,607,996
Wages, salaries and employee benefits	\$201,060,834	\$173,729,434	\$167,928,944
Number of employees at end of year	19,188	18,932	18,632

Financial

Income, all sources	\$710,246,346	\$651,101,304	\$644,466,779
Net earnings after income taxes, minority interests and extraordinary items			
Amount	\$ 25,469,025	\$ 17,425,816	\$ 42,550,721
Per share before extraordinary items	\$ 1.06	\$.83	\$ 2.04
Per share after extraordinary items	\$ 1.22	\$.83	\$ 2.04
Depreciation, depletion and amortization	\$ 48,859,479	\$ 48,231,191	\$ 47,046,573
Retained earnings (deficit) for the year	\$ 14,952,945	\$ (3,528,403)	\$ 21,602,233
Basic cash flow			
Amount	\$ 68,403,511	\$ 66,097,087	\$ 94,604,872
Per share	\$ 3.28	\$ 3.17	\$ 4.53
Capital expenditures	\$ 32,813,905	\$ 46,728,482	\$105,092,056
Percentage of long term debt to total capital employed (including deferred tax)	37.0	36.2	37.0
Dividends			
Cash — Ordinary shares			
Amount	\$ 10,438,191	\$ 20,876,330	\$ 20,870,599
Per share	\$.50	\$ 1.00	\$ 1.00
Cash — Preference shares			
Amount	\$ 77,889	\$ 77,889	\$ 77,889
Per share	\$.03	\$.03	\$.03
Stock			
Amount	—	—	—
Per share	—	—	—
Number of shareholders at end of year**	20,124	21,575	22,282

*Statistics do not reflect the consolidation of overseas subsidiaries other than for equity in net earnings (see Note 1 to Financial Statements).

**Excluding holders of share warrants.

***Includes tonnage purchased during strike.

1968	1967	1966	1965	1964	1963	1962
310,003	274,677	273,425	238,900	215,512	206,206	194,519
1,279,284	1,139,437	1,037,806	1,014,757	915,206	804,102	744,024
477,728	416,664	406,271	386,457	374,036	372,054	356,974
469,598	443,816	430,852	479,983	452,002	449,323	385,423
81,992	89,905	68,557	38,016	—	—	—
18,235	12,950	7,517	1,580	—	—	—
813,748	832,361	896,361	843,968	790,850***	689,296	681,448
546,761	550,245	586,867	556,135	483,773	368,152	343,982
239,285	178,382	174,462	173,018	159,683***	159,635	134,825
23,292	20,801	20,043	17,868	14,482	12,089	8,429
1,473,760	1,454,032	1,057,038	699,881	679,291	665,240	669,523
\$151,115,715	\$132,698,261	\$116,772,119	\$101,485,089	\$ 89,500,618	\$ 81,724,493	\$ 77,526,441
18,017	16,549	15,959	14,930	14,360	13,430	13,074
\$584,490,606	\$540,584,464	\$478,954,359	\$437,182,442	\$413,308,840	\$349,368,343	\$330,669,043
\$ 38,799,447	\$ 36,189,166	\$ 42,460,618	\$ 40,594,282	\$ 41,440,597	\$ 36,660,068	\$ 36,081,809
\$ 1.86	\$ 1.74	\$ 2.04	\$ 1.95	\$ 1.99	\$ 1.76	\$ 1.73
\$ 1.86	\$ 1.74	\$ 2.04	\$ 1.95	\$ 1.99	\$ 1.76	\$ 1.73
\$ 38,886,342	\$ 31,101,353	\$ 28,340,222	\$ 23,976,158	\$ 29,007,429	\$ 22,486,653	\$ 21,514,897
\$ 17,865,303	\$ 11,083,772	\$ 16,343,477	\$ 15,551,676	\$ 16,425,091	\$ 15,828,813	\$ 20,462,118
\$ 80,388,185	\$ 74,850,159	\$ 90,988,165	\$ 76,778,597	\$ 76,009,563	\$ 65,652,332	\$ 59,742,099
\$ 3.85	\$ 3.59	\$ 4.36	\$ 3.68	\$ 3.65	\$ 3.15	\$ 2.87
\$ 77,609,013	\$119,863,008	\$ 90,418,360	\$ 52,324,668	\$ 78,439,712	\$ 47,119,433	\$ 37,608,336
37.1	36.7	35.0	16.3	19.3	10.1	11.4
\$ 20,856,255	\$ 25,027,505	\$ 20,856,255	\$ 20,848,755	\$ 20,846,255	\$ 20,831,255	\$ 15,619,691
\$ 1.00	\$ 1.20	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$.75
\$ 77,889	\$ 77,889	\$ 46,822	\$ 24,600	—	—	—
\$.03	\$.03	\$.03	\$.03	—	—	—
—	—	\$ 5,214,064	\$ 4,169,251	\$ 4,169,251	—	—
—	—	\$.25	\$.20	\$.20	—	—
23,751	24,671	24,415	23,135	20,597	18,909	18,962

Consolidated Balance Sheet

December 31 1971

Assets

	1971	1970
CURRENT ASSETS:		
Cash	\$ 3,461,443	\$ 2,693,960
Short term investments and deposits	6,815,892	1,405,050
Trade and other accounts receivable	103,796,277	93,763,029
Amounts receivable from non-consolidated subsidiaries	7,032,932	1,751,985
Income taxes recoverable	974,297	6,781,211
Inventories (Note 3)	113,098,286	100,906,828
Prepaid expenses	2,492,439	2,616,971
	<u>237,671,566</u>	<u>209,919,034</u>
INVESTMENTS AND OTHER ASSETS:		
Non-consolidated subsidiaries—		
Investments (Note 1)	52,893,812	48,801,980
Advances	—	1,123,614
Partly-owned companies (Note 1)	22,131,464	22,043,063
Investments at cost, having quoted market value of \$4,652,659 (1970 — \$7,240,030)	4,472,023	5,453,688
Other	5,378,872	4,875,369
	<u>84,876,171</u>	<u>82,297,714</u>
PROPERTY, PLANT AND EQUIPMENT (Note 4):		
Pulp and paper mills, sawmills, plywood mills, other buildings, machinery and equipment, including leased facilities, at cost	821,208,961	771,809,529
Less: Accumulated depreciation	393,494,777	360,574,408
	<u>427,714,184</u>	<u>411,235,121</u>
Construction in progress	—	28,270,187
Timber and land (Note 5), at cost less accumulated depletion of \$78,110,855 (1970 — \$74,722,751)	84,636,845	89,616,725
Logging roads, at cost less amortization	19,001,491	18,276,061
	<u>531,352,520</u>	<u>547,398,094</u>
BOND AND DEBENTURE DISCOUNT AND FINANCING EXPENSES, at cost less amortization	1,786,208	1,440,881
	<u><u>\$855,686,465</u></u>	<u><u>\$841,055,723</u></u>

Liabilities

	1971	1970
CURRENT LIABILITIES:		
Bank indebtedness (Note 6)	\$44,616,240	\$ 49,574,989
Notes payable	—	16,280,000
Accounts payable and accrued liabilities	61,776,228	53,398,909
Current portion of long term debt (Note 8)	7,595,663	7,717,294
Deferred income taxes (Note 9)	1,239,933	2,467,040
	<u>115,228,064</u>	<u>129,438,232</u>
LONG TERM DEBT:		
Bonds and debentures (Note 7)	250,422,381	232,465,351
Other secured liabilities	23,349,446	24,966,324
	<u>273,771,827</u>	<u>257,431,675</u>
DEFERRED INCOME TAXES (Note 9)	<u>64,982,692</u>	<u>67,794,234</u>
MINORITY INTERESTS IN CONSOLIDATED SUBSIDIARIES	<u>12,393,877</u>	<u>12,034,522</u>
	<u>466,376,460</u>	<u>466,698,663</u>

Shareholders' Equity

SHARE CAPITAL:		
3% non-cumulative preference shares with a par value of \$1 each (redeemable at par) —		
Authorized — 2,749,066 shares		
Outstanding — 2,596,285 shares	2,596,285	2,596,285
Ordinary shares without nominal or par value (Note 10) —		
Authorized — 25,000,000 shares		
Outstanding — 20,876,385 shares	160,035,477	160,035,477
	<u>162,631,762</u>	<u>162,631,762</u>
RETAINED EARNINGS	<u>226,678,243</u>	<u>211,725,298</u>
	<u>389,310,005</u>	<u>374,357,060</u>
COMMITMENTS (Note 11)		
	<u>\$855,686,465</u>	<u>\$841,055,723</u>

APPROVED ON BEHALF OF THE BOARD:

J. V. Clyne *Director*
G. B. Currie *Director*

Consolidated Statement of Earnings

For the year ended December 31 1971

	1971	1970
Sales and other income:		
Sales of products and services (Note 12)	\$703,689,664	\$646,116,116
Other income (Note 13)	6,556,682	4,985,188
	<u>710,246,346</u>	<u>651,101,304</u>
Costs and expenses:		
Cost of sales and services (Note 13)	612,622,319	553,551,934
Marketing, advertising and promotion expenses	16,536,777	16,032,250
General and administrative expenses (Note 13)	26,095,379	26,477,275
Interest on long term debt	14,537,116	13,798,350
Bank and other interest	4,001,026	4,815,791
	<u>673,792,617</u>	<u>614,675,600</u>
Earnings before income taxes, minority interests and extraordinary items	36,453,729	36,425,704
Income taxes (Note 9):		
Current	21,758,161	17,634,991
Deferred	(4,038,649)	1,198,682
	<u>17,719,512</u>	<u>18,833,673</u>
Earnings before minority interests and extraordinary items	18,734,217	17,592,031
Minority share of loss (earnings) of consolidated subsidiaries	3,294,767	(166,215)
Earnings for the year before extraordinary items	22,028,984	17,425,816
Extraordinary items (Note 13)	3,440,041	—
Net earnings for the year	<u>\$ 25,469,025</u>	<u>\$ 17,425,816</u>
Net earnings per ordinary share —		
Earnings before extraordinary items	\$1.06	\$.83
Extraordinary items16	—
Net earnings	<u>\$1.22</u>	<u>\$.83</u>

Consolidated Statement of Retained Earnings

For the year ended December 31 1971

	1971	1970
Balance at beginning of year	\$211,725,298	\$215,253,701
Net earnings for the year	25,469,025	17,425,816
	<u>237,194,323</u>	<u>232,679,517</u>
Dividends:		
On ordinary shares — \$.50 per share (1970 — \$1.00 per share)	10,438,191	20,876,330
On preference shares	77,889	77,889
	<u>10,516,080</u>	<u>20,954,219</u>
Balance at end of year	<u>\$226,678,243</u>	<u>\$211,725,298</u>

Consolidated Statement of Source and Application of Working Capital

For the year ended December 31 1971

	1971	1970
Source of working capital:		
Earnings—		
Net earnings for the year	\$ 25,469,025	\$ 17,425,816
Charges (credits) not affecting working capital:		
Depreciation, depletion and amortization of logging roads	48,859,479	48,231,191
Deferred income taxes	(2,811,542)	153,741
Minority share of (loss) earnings of consolidated subsidiaries	(3,294,767)	166,215
Amortization of bond and debenture discount and financing expenses	181,316	120,124
	68,403,511	66,097,087
Proceeds of issue of debentures, net of discount and financing expenses (Note 7)	29,473,357	—
Disposal of investments having quoted market value (net)	981,665	(281,451)
Equity provided by minority interests	3,654,122	1,296,029
	102,512,655	67,111,665
Application of working capital:		
Net additions to property, plant and equipment	32,813,905	46,728,482
Less: Financed from funds allocated for capital purposes and by long term debt	—	2,338,438
	32,813,905	44,390,044
Dividends	10,516,080	20,954,219
Investments in and advances to non-consolidated subsidiaries (net)	2,968,218	2,234,381
Investments in and advances to partly-owned companies (net)	88,401	2,446,487
Payments of and current provision for		
— bonds and debentures	12,042,970	8,701,290
— other secured liabilities	2,112,704	3,591,913
Other items (net)	7,677	321,751
	60,549,955	82,640,085
Increase (decrease) in working capital (Note 14)	41,962,700	(15,528,420)
Working capital at beginning of year	80,480,802	96,009,222
Working capital at end of year	\$122,443,502	\$ 80,480,802

*Certain 1970 figures have been reclassified for comparison with 1971.***Auditors' Report**

To the Shareholders of MacMillan Bloedel Limited:

We have examined the consolidated balance sheet of MacMillan Bloedel Limited as at December 31, 1971 and the consolidated statements of earnings, retained earnings and source and application of working capital for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1971 and the results of their operations and the source and application of their working capital for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

February 28, 1972
Vancouver, B.C.

PRICE WATERHOUSE & CO.,
Chartered Accountants.

Notes to Consolidated Financial Statements

December 31 1971

1. ACCOUNTING FOR SUBSIDIARIES AND PARTLY-OWNED COMPANIES:

The company includes in its consolidated financial statements the accounts of all subsidiaries other than overseas subsidiaries operating in the United Kingdom and elsewhere. These non-consolidated subsidiaries are accounted for by the equity method. Accordingly, the equity of MacMillan Bloedel Limited in their net earnings for the year is included in the accompanying consolidated statement of earnings, and the investments in these subsidiaries (consisting principally of the investment in MacMillan Bloedel Containers Limited) are carried on the consolidated balance sheet at a cost of \$38,347,444 plus the company's share of undistributed net earnings since acquisition, \$14,546,368. While the carrying value of the investments is in excess of the related equity in the net assets at book value, it is not considered that any provision for amortization is required. Withholding taxes on dividends received from foreign subsidiaries have been charged to net earnings when paid.

The investments in partly-owned companies representing interests of between 30% and 50% are not accounted for by the equity method, but are recorded at cost. The dividend income from these investments is included in consolidated net earnings when received. The total of \$22,131,464 as at December 31, 1971 (\$22,043,063 as at December 31, 1970) was made up principally of share investments in Koninklijke Nederlandsche Papierfabriek, N.V. and Celupal S.A. together with advances to Celupal S.A. of \$3,852,723 (\$3,779,017 as at December 31, 1970).

2. FOREIGN EXCHANGE:

Current assets and current liabilities in foreign currencies have been translated into Canadian dollars at rates related to forward exchange contracts or, where not covered by forward exchange contracts, at the rates of exchange in effect as at the balance sheet dates; other assets (and related depreciation, depletion and amortization) and liabilities at the rates in effect at the dates on which the assets were acquired or the liabilities were incurred; and items affecting net earnings (other than inventories, depreciation, depletion and amortization) at the average rates for the year. The net balance arising from the translation of foreign currencies has been included in net earnings.

3. INVENTORIES:

	December 31	
	1971	1970
Logs, pulp chips and other raw materials	\$ 31,188,464	\$ 37,662,735
Lumber, plywood and other wood products	44,211,483	35,412,887
Pulp and paper products	19,655,718	10,635,438
Packaging products	2,401,696	2,008,312
Operating and maintenance supplies	15,640,925	15,187,456
	<u>\$113,098,286</u>	<u>\$100,906,828</u>

Logs, pulp chips and other raw materials and operating and maintenance supplies have been valued at the lower of cost and replacement cost, and manufactured products at the lower of cost and net realizable value.

4. PROPERTY, PLANT AND EQUIPMENT:

	Cost	Accumulated depreciation	Net book value
December 31, 1971:			
Pulp and paper mills	\$591,915,669	\$269,149,751	\$322,765,918
Sawmills, plywood mills and other wood products plants	102,352,126	57,607,077	44,745,049
Logging buildings and equipment	65,275,426	44,924,338	20,351,088
Packaging plants	23,209,765	11,343,644	11,866,121
Other buildings and equipment	38,455,975	10,469,967	27,986,008
	<u>\$821,208,961</u>	<u>\$393,494,777</u>	<u>\$427,714,184</u>
December 31, 1970:			
Pulp and paper mills	\$552,122,648	\$246,491,594	\$305,631,054
Sawmills, plywood mills and other wood products plants	100,379,038	53,693,282	46,685,756
Logging buildings and equipment	64,265,767	40,608,882	23,656,885
Packaging plants	20,069,994	10,487,086	9,582,908
Other buildings and equipment	34,972,082	9,293,564	25,678,518
	<u>\$771,809,529</u>	<u>\$360,574,408</u>	<u>\$411,235,121</u>

The company's plant facilities in Alabama and its head office building are held under long term leases containing provisions which indicate that the assets should be accounted for on a basis of ownership. Accordingly, the cost of these leased assets, aggregating \$87,750,000, and related depreciation and long term debt are included in the accompanying financial statements.

MacMillan Rothesay Limited, a partly-owned subsidiary, completed construction of a second paper machine at Saint John, New Brunswick in March 1971. Total capital cost of this project was \$35,136,758 and has been included with the cost of pulp and paper mills, etc. in the accompanying consolidated balance sheet.

5. TIMBER AND LAND — FOREST FIRE JUDGMENT UNDER APPEAL:

On May 20, 1971 in the Supreme Court of British Columbia the company was awarded a judgment of \$1,213,669 in respect of loss of and damage to timber stands and recovery of other costs relating to a fire which damaged the company's timberlands on Vancouver Island in 1967. The judgment has been appealed by the defendants to the Court of Appeal of British Columbia. Pending results of this appeal, the company has given no accounting recognition to the judgment. Substantially all the costs arising from this fire that were borne by the company have been charged against earnings.

6. BANK INDEBTEDNESS:

	December 31	
	1971	1970
Unsecured bank loans.....	\$ 43,035,440	\$ 44,779,465
Other indebtedness.....	1,580,800	4,795,524
	<u>\$ 44,616,240</u>	<u>\$ 49,574,989</u>

7. BONDS AND DEBENTURES:

	December 31	
	1971	1970
MacMillan Bloedel Limited —		
4.95% sinking fund debentures, Series "A", maturing October 1, 1990: \$39,900,000 U.S. (Canadian equivalent* \$39,979,800).....	\$ 42,864,364	\$ 45,120,383
5½% ten-year term debentures, Series "B", maturing January 3, 1976.....	50,000,000	50,000,000
6½% sinking fund debentures, Series "C", maturing July 15, 1992: \$27,982,000 U.S. (Canadian equivalent* \$28,037,964).....	30,154,804	32,198,027
7½% debentures, Series "D", maturing May 15, 1978.....	10,000,000	—
8½% sinking fund debentures, Series "E", maturing May 15, 1991.....	20,000,000	—
	<u>153,019,168</u>	<u>127,318,410</u>
MacMillan Bloedel Inc.** —		
4.0% to 4.10% industrial development revenue bonds, maturing June 1, 1972 to 1975: \$8,805,000 U.S. (Canadian equivalent* \$8,822,610).....	9,465,375	12,147,500
4% sinking fund industrial development revenue bonds, maturing June 1, 1988: \$54,000,000 U.S. (Canadian equivalent* \$54,108,000).....	58,050,000	58,050,000
	<u>67,515,375</u>	<u>70,197,500</u>
MacMillan Rothesay Limited —		
6% first mortgage and collateral sinking fund bonds, Series "A", maturing March 1, 1985: \$11,680,000 U.S. (Canadian equivalent* \$11,703,360).....	12,556,000	13,448,250
6¾% general mortgage sinking fund bonds, Series "A", maturing October 1, 1985.....	7,600,000	7,900,000
7½% debenture certificate, due December 31, 1979.....	22,500	22,500
	<u>20,178,500</u>	<u>21,370,750</u>
MacMillan Bloedel Industries Limited —		
Sinking fund debentures:		
5½% twenty-year debentures, Series "A", maturing May 15, 1978.....	7,297,000	8,380,000
4¾% twenty-year debentures, Series "B", maturing May 15, 1978: \$2,850,000 U.S. (Canadian equivalent* \$2,855,700).....	2,742,234	3,776,586
	<u>10,039,234</u>	<u>12,156,586</u>
Burnaby Paperboard Ltd. —		
First mortgage and collateral trust bonds:		
1955 Series —		
4½% sinking fund bonds, maturing September 1, 1975.....	2,991,000	3,355,000
1958 Series —		
5½% sinking fund bonds, maturing May 15, 1978.....	1,410,000	1,700,000
	<u>4,401,000</u>	<u>5,055,000</u>
Kingsway Lumber Co. Limited —		
6¾% sinking fund debentures:		
Series "A", maturing December 15, 1982.....	662,000	734,500
Series "B", maturing February 1, 1985.....	582,000	670,000
	<u>1,244,000</u>	<u>1,404,500</u>
Carried forward.....	<u>\$256,397,277</u>	<u>\$237,502,746</u>

Notes to Consolidated Financial Statements (continued)

December 31 1971

	December 31	
	1971	1970
Brought forward	\$256,397,277	\$237,502,746
R. Laidlaw Lumber Co. Limited—		
6% serial debentures, maturing October 15, 1971 and 1972	40,000	80,000
6% general debentures, due January 15, 1978	—	800,000
	<u>40,000</u>	<u>880,000</u>
	256,437,277	238,382,746
Less: Payments due within one year, before adjustment to current rate of exchange (Notes 2 and 8)	<u>6,014,896</u>	<u>5,917,395</u>
	<u>\$250,422,381</u>	<u>\$232,465,351</u>

*Represents Canadian equivalent calculated at the rate of exchange in effect at December 31, 1971.

**These industrial development revenue bonds are direct obligations of The Industrial Development Board of the Town of Camden, Alabama (see Note 4). MacMillan Bloedel Inc. was formed by the merger of MacMillan Bloedel Products Inc., MacMillan Bloedel United Inc. and Blanchard Lumber Company at the close of business on December 31, 1971.

On May 15, 1971 the company issued \$10,000,000 Series "D" and \$20,000,000 Series "E" debentures under a trust indenture supplemental to the Principal Trust Indenture dated as of October 1, 1965. After deducting the underwriting discount and expenses of the issue aggregating \$526,643, the net proceeds to the company amounted to \$29,473,357.

8. PAYMENTS ON LONG TERM DEBT:

Payments on long term debt required for each of the five years after December 31, 1971 are as follows:

	Bonds and debentures	Other secured liabilities	Total
1972 (after adjustment to current rate of exchange—Notes 2 and 7)	\$ 5,611,768*	\$ 1,983,895	\$ 7,595,663
1973	6,960,270*	2,280,444	9,240,714
1974	9,109,835*	4,245,237	13,355,072
1975	12,870,166	1,301,917	14,172,083
1976	60,249,166	1,217,342	61,466,508

*Net of purchases and cancellation of bonds and debentures up to December 31, 1971.

9. DEFERRED INCOME TAXES:

The company records income taxes on the tax allocation basis recommended by The Canadian Institute of Chartered Accountants wherever certain prescribed conditions are applicable. As these conditions were not applicable in the case of certain accumulated losses of subsidiaries, aggregating approximately \$12,500,000 to December 31, 1971, this basis of accounting was not followed; accordingly, these losses are available to reduce income tax provisions of such subsidiaries in future years.

10. STOCK OPTIONS:

Under the company's stock option plan, options for ordinary shares may be granted to key employees, exercisable by dates fixed by the Board of Directors, at share prices equal to at least 90% of the closing price on the Vancouver Stock Exchange on the last business day before the options were granted. No options were granted or exercised during the year, and as at December 31, 1971 options for 30,500 shares, exercisable on or before November 6, 1974 at \$29.70 per share were outstanding.

11. COMMITMENTS:

The company is committed in respect of the following:

(a) An annual rental of \$145,239 (excluding taxes, insurance and other occupancy expenses payable by the company) up to 1988 under a lease of its former head office building (now sublet to other tenants).

(b) The charter by one of the company's subsidiaries of certain vessels under agreements for varying periods up to May 1977 at rentals aggregating \$15,472,352 for the periods of charter. The rentals due under these agreements are as follows:

1972 to 1975 (\$3,362,887 annually)	\$13,451,548
1976	1,557,063
1977	<u>463,741</u>
	<u>\$15,472,352</u>

(c) The acquisition of timber in Alabama under long term cutting contracts requiring minimum annual payments (extending in some cases to the year 2031); payments of approximately \$1,700,000 are required in each of the next five years and in diminishing amounts thereafter.

(d) Agreements with a number of the company's officers (including some now retired), which call for pension payments, not funded or otherwise provided for, to be made under certain conditions following retirement. If these commitments had been funded from the inception of each contract, it is estimated that a fund of approximately \$4,500,000 would have been required as at December 31, 1971 to provide pension payments to present officers in the event of their retirement at normal retirement age and to continue payments for those presently retired. These payments are being charged to expenses in the year incurred.

12. SALES OF PRODUCTS AND SERVICES:

Sales, as in prior years, include the sales of products for account of, or purchased from, other manufacturers on which the margin of gross profit realized by the company is substantially less than that realized on the sale of its own manufactured products.

13. SUPPLEMENTARY EARNINGS STATEMENT INFORMATION:

(a) Other income for the years ended December 31, 1971 and 1970 comprised the following:

	December 31	
	1971	1970
Equity in net earnings of non-consolidated subsidiaries (Note 1)	\$ 4,387,500	\$ 2,623,260
Income from other investments	1,915,334	1,288,118
Profit on disposal of investments and property, plant and equipment (other than disposals included in extraordinary items — see Note 13(d) below)	253,848	1,073,810
	<u>\$ 6,556,682</u>	<u>\$ 4,985,188</u>

(b) Cost of sales and services included the following for the years ended December 31, 1971 and 1970:

	December 31	
	1971	1970
Depreciation	\$36,891,673	\$35,594,145
Depletion	5,840,690	6,534,581
Amortization of logging roads	6,127,116	6,102,465
	<u>\$48,859,479</u>	<u>\$48,231,191</u>

In both years, depreciation has been computed on a straight-line basis on original cost at rates varying from 2½% on buildings to 15% on logging equipment, depletion has been provided on a timber cut basis, and amortization of logging roads has been determined on a basis related to log production.

(c) General and administrative expenses included remuneration paid to the directors, including remuneration paid to certain directors in their capacities as senior officers of the company, aggregating \$637,404 for the year ended December 31, 1971 (1970 — \$647,060).

(d) Extraordinary items for the year ended December 31, 1971 comprised the following:

Gains less losses on disposal of investments not held for resale	\$ 3,529,665
Income tax reductions resulting from the application of losses carried forward for income tax purposes	1,366,000
	<u>4,895,665</u>

Less: Unrecoverable costs of acquiring cutting rights to timberland near

Whitcourt, Alberta which lapsed on June 30, 1971	1,455,624
	<u>\$ 3,440,041</u>

14. WORKING CAPITAL:

The changes in working capital components for the years ended December 31, 1971 and 1970 were as follows:

	1971	1970
Increases (decreases) in current assets —		
Cash	\$ 767,483	\$ 640,681
Short term investments and deposits	5,410,842	1,405,050
Trade and other accounts receivable	10,033,248	2,100,929
Amounts receivable from non-consolidated subsidiaries	5,280,947	(3,539,653)
Income taxes recoverable	(5,806,914)	15,934,931
Inventories	12,191,458	(3,811,401)
Prepaid expenses	(124,532)	(7,378)
	<u>27,752,532</u>	<u>12,723,159</u>
Increases (decreases) in current liabilities —		
Bank indebtedness	(4,958,749)	8,442,650
Notes payable	(16,280,000)	16,280,000
Accounts payable and accrued liabilities	8,377,319	625,675
Current portion of long term debt	(121,631)	1,858,313
Deferred income taxes	(1,227,107)	1,044,941
	<u>(14,210,168)</u>	<u>28,251,579</u>
Increase (decrease) in working capital	<u>\$41,962,700</u>	<u>(\$15,528,420)</u>

Logging operations, plants and distribution centres

LOGGING OPERATIONS, B.C.

Cameron
Chemainus
Cortez Island
Eve River
Franklin River
Iron River
Jervis Inlet
Juskatla
Kelsey Bay
Kennedy Lake
Kitimat
Knight Inlet
Menzies Bay
Misery Creek
Northwest Bay
Perketts Creek
Phillips Arm
Port Hardy
St. Vincent Bay
Shawnigan
Skidegate
Sproat Lake
Squamish
Stillwater
Theodosia
Turnour Island
Wilson Creek

CEDAR POLE YARD New Westminster, B.C.

LUMBER
Chemainus, B.C.
Harmac, B.C.
New Westminster, B.C.
Pine Hill, Alabama
Port Alberni, B.C.
Powell River, B.C.
Vancouver, B.C.

PLYWOOD
Pine Hill, Alabama
Port Alberni, B.C.
Vancouver, B.C.

WOOD PRODUCT SPECIALTIES
Hudson Bay, Sask.
Aspenite Panelboard
Port Alberni, B.C.
Shingles
Toronto, Ontario
Mouldings
Vancouver, B.C.
Particleboard
Pres-to-logs
Shingles
Specialty Boards

NEWSPRINT AND GROUNDWOOD PAPERS

Port Alberni, B.C.
Powell River, B.C.
Saint John, N.B.

PULP
Harmac, B.C.
Bleached Sulphate
Port Alberni, B.C.
Unbleached Sulphate
Powell River, B.C.
Semi-bleached Sulphate

OTHER PAPER AND BOARD PRODUCTS

Annacis Island,
New Westminster, B.C.
Fine Papers
Pine Hill, Alabama
Linerboard
Port Alberni, B.C.
Kraft Corrugating Medium
Kraft Paper
Linerboard

CORRUGATED CONTAINER PLANTS

CANADA
Winnipeg, Man.
Regina, Sask.
Edmonton, Alta.
Calgary, Alta.
New Westminster, B.C.

UNITED KINGDOM
Hatfield, Herts.
Nelson, Lancs.
Southall, Middlesex
West Auckland, Co. Durham
Weston-super-Mare,
Somerset

UNITED STATES
Baltimore, Md.
Odenton, Md.
Jersey City, N.J.

CARTON PLANT
Burnaby, B.C.
Folding and Rigid Cartons
Milk Cartons
Specialty Cartons

BAG AND SPECIALTY PLANT
Burnaby, B.C.
Kraft Paper Bags
Notion and Millinery Bags
Wrapping Papers

Directors

PRENTICE BLOEDEL *Bainbridge Island, Washington, U.S.A.*
Former Vice-Chairman, MacMillan & Bloedel Limited

R. W. BONNER Q.C. *Vancouver, British Columbia*
Vice-Chairman, MacMillan Bloedel Limited

ANSON BROOKS *Seattle, Washington, U.S.A.*
President, Powell River-Alberni Sales Corporation

J. M. BUCHANAN *Vancouver, British Columbia*
Chancellor Emeritus, University of British Columbia

A. B. CHRISTOPHER *Vancouver, British Columbia*
President, Montrose Development Ltd.

THE HONOURABLE J. V. CLYNE *Vancouver, British Columbia*
Chairman of the Board and Chief Executive Officer,
MacMillan Bloedel Limited

N. R. CRUMP *Montreal, Quebec*
Chairman, Canadian Pacific Limited

G. B. CURRIE *Vancouver, British Columbia*
Vice-President, Finance,
MacMillan Bloedel Limited

GORDON FARRELL *Vancouver, British Columbia*
Former Chairman, Ocean Cement & Supplies Ltd.

L. G. HARRIS *Vancouver, British Columbia*
Executive Vice-President, International,
MacMillan Bloedel Limited

J. O. HEMMINGSEN *Vancouver, British Columbia*
Executive Vice-President, Natural Resources,
MacMillan Bloedel Limited

J. N. HYLAND *Vancouver, British Columbia*
Chairman, Board of Directors, Pacific Press Limited

H. T. MITCHELL *Vancouver, British Columbia*
President, Mitchell Press Limited

J. E. RICHARDSON *Vancouver, British Columbia*
President and Chief Executive Officer,
British Columbia Telephone Company

G. T. SOUTHAM *Vancouver, British Columbia*
President, Pioneer Envelopes Ltd.

C. A. SPECHT *Chicago, Illinois, U.S.A.*
President and Chief Executive Officer,
Consolidated Packaging Corp.

D. W. TIMMIS *Vancouver, British Columbia*
Executive Vice-President, Operations,
MacMillan Bloedel Limited

FREDERICK WILSON *Spokane, Washington, U.S.A.*
Investment Counsel

C. B. WRIGHT *Seattle, Washington, U.S.A.*
President, Pentagram Corporation

Honorary Directors

H. R. MacMILLAN *Vancouver, British Columbia*

W. J. VANDUSEN *Vancouver, British Columbia*

SALES OFFICES AND DISTRIBUTION CENTRES

Building Materials

CANADA

Eastern

Truro, N.S.
Drummondville, Que.
Montreal, Que.
Quebec City, Que.
Rimouski, Que.
Belleville, Ont.
Brantford, Ont.
Chatham, Ont.
Fonthill, Ont.
Kitchener, Ont.
London, Ont.
Orillia, Ont.
Ottawa, Ont.
Owen Sound, Ont.
Sudbury, Ont.
Timmins, Ont.
Toronto, Ont.
Windsor, Ont.

R. Laidlaw Lumber Co. Limited

Noranda, Que.
London, Ont.
North Bay, Ont.
Ottawa, Ont.
Sault Ste. Marie, Ont.

Kingsway Lumber Co. Limited

Toronto, Ont.

Western

Winnipeg, Man.
Regina, Sask.
Saskatoon, Sask.
Edmonton, Alta.
Calgary, Alta.
Lethbridge, Alta.
Vancouver, B.C.

UNITED STATES

New York, N.Y.
Birmingham, Ala.

Blanchard Lumber Company

Walpole, Mass.
Rensselaer, N.Y.
Wayne, N.J.
Camden, N.J.
Baltimore, Md.
Fort Lauderdale, Fla.
Jacksonville, Fla.
West Hartford, Conn.
Atlanta, Ga.
Portsmouth, Va.
Port Arthur, Texas
Portland, Ore.

Principal subsidiary companies

Alberni Pulp & Paper Ltd.
Canadian Transport Company Limited
Canadian Transport (Terminals) Limited
Kingcome Navigation Company Limited
Kingsway Lumber Co. Limited
R. Laidlaw Lumber Co. Limited
MacMillan Bloedel (Alabama) Inc.
MacMillan Bloedel (Alberni) Limited
MacMillan Bloedel Building Limited
MacMillan Bloedel Building Materials (B.C.) Limited
MacMillan Bloedel Building Materials Limited
MacMillan Bloedel Containers Limited
MacMillan Bloedel Inc.*
MacMillan Bloedel Industries Limited
MacMillan Bloedel Meyer Limited
MacMillan Bloedel Meyer (Terminals) Limited
MacMillan Bloedel (New York) Inc.
MacMillan Bloedel Packaging Limited
MacMillan Bloedel Properties Limited
MacMillan Bloedel Pty. Limited
MacMillan Bloedel Pulp and Paper Sales Limited
MacMillan Bloedel Research Limited
MacMillan Bloedel Sales Inc.
MacMillan Bloedel (Saskatchewan) Limited
MacMillan Jardine Limited
MacMillan Rothesay Limited

**Formed by the merger of MacMillan Bloedel Products Inc., MacMillan Bloedel United Inc. and Blanchard Lumber Company at the close of business on December 31, 1971.*

Executive Committee

THE HONOURABLE J. V. CLYNE (*Chairman*)

PRENTICE BLOEDEL

R. W. BONNER Q.C.

G. B. CURRIE

L. G. HARRIS

J. O. HEMMINGSEN

J. N. HYLAND

C. A. SPECHT

D. W. TIMMIS

Officers

THE HONOURABLE J. V. CLYNE

Chairman of the Board and Chief Executive Officer

R. W. BONNER Q.C. *Vice-Chairman*

L. G. HARRIS *Executive Vice-President, International*

J. O. HEMMINGSEN *Executive Vice-President, Natural Resources*

D. W. TIMMIS *Executive Vice-President, Operations*

G. B. CURRIE *Vice-President, Finance*

H. R. CHISHOLM *Group Vice-President, Logging*

J. R. FORREST *Group Vice-President, Building Materials*

B. I. HOWE *Group Vice-President, Pulp and Paper*

H. V. TOWNSEND *Group Vice-President, Packaging*

R. L. GILLEN *Vice-President, Strategic Planning and Development*

R. M. BIBBS *Vice-President, Industrial Relations*

P. M. DOWNES *Vice-President, Corporate Communications*

F. H. BRITTON Q.C. *Secretary and General Counsel*

DR. L. A. COX *Director of Research*

Officers (continued)

K. G. BOYD *Vice-President, Wood Supply*

C. M. DEE *Vice-President and General Manager, Panelboards*

J. H. LAWSON *Vice-President and General Manager, Lumber and Shingles*

A. C. McGOUGAN *Vice-President, Pulp and Paper Sales*

J. S. ROGERS *Vice-President, Manufacturing, Pulp and Paper*

R. V. SMITH *Vice-President, Marketing, Pulp and Paper*

T. P. BOYLE *Corporate Controller*

I. S. BRAND *Director, Far Eastern Development*

C. G. CHAMBERS *Treasurer*

J. G. DICKINSON *Director, Strategic Planning and Development*

D. H. FRICKER Q.C. *Corporate Solicitor*

A. P. MacBEAN *Chief Forester*

D. H. PARKINSON *Director, Financial Services*

E. G. LEGG *Assistant Treasurer*

J. G. C. CUNNINGHAM *Assistant Secretary*

R. D. MacFAYDEN *Assistant Secretary*

Registrars and Transfer Agents

THE ROYAL TRUST COMPANY *Vancouver*

THE CANADA TRUST COMPANY

Calgary, Regina, Winnipeg, Toronto, Montreal

THE CHASE MANHATTAN BANK *New York*

Auditors

PRICE WATERHOUSE & CO. *Vancouver*

